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July 9, 2004

## VIA HAND DELIVERY

Pat Miller, Chairman  
C/O Sharla Dillon, Docket Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219

Re: Petition of Chattanooga Gas Company for Approval of Adjustment of  
its Rates and Charges and Revised Tariff -Docket No. 04-00034

Notice of Intention to Place Proposed Rates into Effect; Request to  
Waive Bond and Request to Determine Method for Calculating Interest  
on Refunds, If Any

Dear Chairman Miller,

Attached is the tariff that Chattanooga Gas Company ("CGC" or the  
"Company") intends to place into effect for billing cycles that begin after August 1,  
2004 pursuant to Tenn. Code Ann. § 65-5-203.<sup>1</sup> CGC is also requesting that the  
Tennessee Regulatory Authority ("TRA") place this matter on its July 26, 2004  
Conference Agenda in order to consider CGC's request that it not be required to post  
a bond and to determine the method for calculating the interest on refunds to  
customers, if any, upon the TRA's final determination of the case.

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<sup>1</sup> Section 65-5-203 (b)(1) states that, "If the investigation [of a request for a rate change] has not  
been concluded and a final order made at the expiration of six (6) months from the date filed of any  
such increase, change or alteration, the utility may place the proposed increase, change or alteration,  
or any portion thereof, in effect at any time thereafter prior to the final authority decision thereon  
upon notifying the authority, in writing, of its intention so to do."

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CGC filed a petition and two alternative tariffs on January 26, 2004 seeking to implement new rates, as well as two new trackers, among other things.<sup>2</sup> The Consumer Advocate and Protection Division ("CAPD") and Chattanooga Manufacturers Association ("CMA") intervened on February 26, 2004, and Gas Technology Institute ("GTI") intervened on April 16, 2004. The parties attended a status conference on April 19, 2004. On April 23, 2004, CMA filed a Motion to Sever GTI's request that a surcharge of 1.74 cents per dekatherm be collected from all of CGC's customers. The parties attended an additional status conference on May 10, 2004. On May 13, the CAPD filed a motion to extend the hearing time until nine months, to which CGC responded on May 21. On May 28, the hearing officer suspended the proposed tariff until July 28<sup>th</sup>, 2004. The parties have exchanged numerous data requests and there are several pending motions, including motions to compel and motions to allow additional discovery. The final procedural schedule has not yet been established and a hearing has not been scheduled.

On July 26, 2004, six months will have passed since CGC filed its petition; consequently, CGC intends to place a portion of its proposed rates into effect. Attached as Schedule 1 is a Summary of Proposed Rate Changes and Rates Subject to Refund that will be placed in effect on August 1, 2004. The difference between the tariff CGC filed on January 26, 2004 (SL-1 attached to the pre-filed testimony of Steve Lindsey) and the attached tariff is the reduction in rate increase to reflect a reduction in revenue deficiency as a result of the gas costs portion of bad debt expense being recovered through the Purchased Gas Adjustment ("PGA") mechanism as outlined below.<sup>3</sup>

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<sup>2</sup> One tariff allocates the entire \$4.6 million rate increase across all customer classes through base rates. (SL-1 attached to the pre-filed testimony of Steve Lindsey) The second tariff, which is the Company's preferred alternative, does not recover the entire deficiency through base rates (SL-2 attached to the pre-filed testimony of Steve Lindsey) Rather, the carrying charges related to the stored gas inventory are capitalized and included in the value of the gas asset, and the cost of the Bare Steel and Cast Iron Pipeline Replacement Program is recovered through a separate tracker.

<sup>3</sup> At its February 9, 2004 conference the TRA approved the recovery of the gas portion of bad debts through the PGA mechanism (Docket 03-00209). The projected gas portion of bad debts included in the rate case filed January 26, 2004 was approximately \$640,000. The rates CGC intends to place into effect August 1, 2004 have been reduced to reflect the impact of the TRA's decision in Docket 03-00209.

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**Reduction in rate increase to reflect a reduction in revenue  
deficiency as a result of the gas portion of bad debts being**

**January 26, 2004 Tariff (SL-1)**

Base Revenue Under Rates Filed 1/26/04	\$34,757,167
Base Revenue Under Current Rates	<u>\$30,196,467</u>
Rate Increase Filed 1/26/04	\$ 4,560,699 increase

**Rates Effective August 1, 2004**

Base Revenue Under Rates Effective 8/1/04	\$34,117,266
Base Revenue Under Current Rates	<u>\$30,196,467</u>
Rate Increase Effective 8/1/04	\$ 3,920,699 <sup>4</sup>

Difference	\$ 639,900
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The tariff that CGC plans to place into effect on August 1 ( i.e. SL-1 without the bad debt expense for gas costs) does not include the Chattanooga Assisted Rate for Energy Service (CARES) tracker and the Bare Steel and Cast Iron Pipeline Replacement Tracker and does not consider capitalization of carrying charges on stored gas.

In its preferred tariff (SL-2) filed with its January 26, 2004 petition, CCG proposed a new program that would provide a credit of \$7.50 per month for elderly low-income customers. CGC proposed to fund the program through the CARES Tracker. Since the Tracker will be computed on an annual basis, CGC will not begin collecting any surcharges until the second year of the program. Therefore, if the TRA ultimately determines that the CARES Tracker should not be implemented, CGC would be unable to recover the cost of the program. Accordingly, CGC is not implementing the program on August 1, 2004.

In addition, CGC is not implementing the Bare Steel and Cast Iron Pipeline Replacement tracker that was proposed in its preferred alternative tariff. As with the CARES program, this program will be funded on an annual basis. Accordingly, if the TRA ultimately determines that the Bare Steel and Cast Iron Pipeline Replacement Tracker tariff provision should not be implemented, the cost of the program could not be recovered.

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<sup>4</sup> See Schedule 2, attached, which shows the redetermination of the rates and revenue requirement after eliminating the bad debt expense associated with gas costs.

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**Request For A Waiver of Bond Requirement and for Approval of Method for Computation of Interest on Refunds, if any**

Tenn. Ann. Code § Section 65-5-203 (b) (1) states that:

the authority may require the utility to file with the authority a bond in an amount equal to the proposed annual increase conditioned upon making any refund ordered by the authority as hereinafter provided.

CGC will provide any refund ordered by the TRA, however, it is requesting that it not be required to post a bond. Significantly, CGC estimates that it would cost \$55,200 to post a bond.

Further, Section 65-5-203(c) states that any refund to customers ordered by the Authority should include "lawful interest." CGC is requesting that the interest accrued on any refund should be computed in accordance with the TRA's Purchased Gas Adjustment Rule 1220-4-7-.03(1)(b)2 (vii).<sup>5</sup>

In addition, CGC is requesting that it be allowed to recover in its rate case the incremental costs associated with recalculating and implementing any refund ordered by the TRA. As CGC noted in its Response to the CAPD's Motion to Extend the Hearing Time to Nine Months, CGC estimates that the accounting portion of the refund, including monitoring the refund during the month in which it occurs, will cost approximately \$25,000.

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<sup>5</sup> According to Rule 1220-4-7-.03(1)(b)2 (vii) interest shall be computed as follows: "I = Interest on the "Refund Due Customers' Account", using the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate equal to the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd and 2nd months preceding the 1st month of the calendar quarter "

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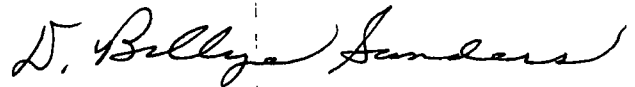
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Again, we ask that the matter of waiver of a bond and the method of calculation of interest on refunds, if any, be placed on the July 26, 2004 TRA Conference Agenda for decision.

Sincerely,

A handwritten signature in cursive script, reading "D. Billye Sanders".

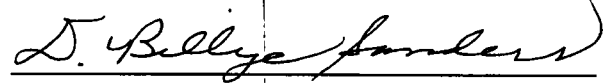
D. Billye Sanders  
Attorney for Chattanooga Gas  
Company

DBS/hmd

cc: Archie Hickerson  
Elizabeth Wade, Esq.  
John Ebert, Esq.  
Steve Lindsey  
Parties of Record

## CERTIFICATE OF SERVICE

I hereby certify that on this 9<sup>th</sup> day of July 2004, a true and correct copy of the foregoing document was delivered by hand delivery or U.S. mail postage prepaid to the other Counsel of Record listed below.

  
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**CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TRA NO. 1  
TENNESSEE REGULATORY AUTHORITY  
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**RATE SCHEDULE R-1**  
**Residential General Service**

AVAILABILITY

Available for all gas service furnished to single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which are separately metered or measured, irrespective of the fact that a person other than the resident (1) is contractually bound to the Chattanooga Gas Company (Company) for the charges, or (2) actually pays the charges, or (3) is billed for the charges. Use of gas service in hotel or motel units by transient occupants shall not constitute residential use. Gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly.

MONTHLY BASE RATE

	<u>Winter</u> <u>Net Rate</u> November-April	<u>Summer</u> <u>Net Rate</u> May-October
<u>Customer Base Use Charge</u>	\$14 00	\$7 50
<u>Commodity Charge</u>		
First 50 Therm Per Month	23 38¢ Per Therm	23 38¢ Per Therm
Over 50 Therm Per Month	15 00¢ Per Therm	15 00¢ Per Therm
<u>Summer Air -Conditioning Charge</u>		
Over 50 Therm Per Month	----	15 00¢ Per Therm
<u>Standby Service Demand Charge</u>		
Rate Per Therm Of Input Per Month	Demand Charge Applicable To I-1 Customers	Demand Charge Applicable To I-1 Customers

Standby Input shall be based upon individual Customer's applicable gas equipment rating in Therms

$$\frac{(BTU / Hour) \times 10 Hours}{100,000 BTU} = Number of Therm$$

Monthly billing in units of CCF, DTH or Therms may be based upon monthly or bi-monthly meter reading

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates

SUMMER AIR-CONDITIONING RATE

Available to any residential Customer who has installed and regularly operates a gas-fired central air-conditioning system which meets Company's specifications. All provisions of the above rate schedule will apply except as specifically modified herein.

MINIMUM BILL

The minimum monthly bill shall be the Customer Base Use Charge plus the Standby Service Demand Charge, when applicable, as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

**RATE SCHEDULE R-1 (Continued)**

**STANDBY SERVICE**

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating

The revenues realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision

**GAS LIGHT SERVICE**

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light

**MULTIPLE BILLING**

Where the Company serves a number of separate dwelling units under common ownership on the same premises with service through a single meter, the minimum charge and the quantity of gas within each block of the above rates shall be multiplied by the number of individual units in which gas is consumed

**BILLING ADJUSTMENTS**

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority

Bills for gas service hereunder shall be subject to the provisions of the Weather Normalization Adjustment (WNA) Rider (Docket No 91-0712) as approved by the Tennessee Regulatory Authority.

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Regulatory Authority

**LIMITING AND CURTAILING GAS SERVICE**

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority

**GENERAL TERMS AND CONDITIONS**

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority.

**RATE SCHEDULE R-4**  
**Multi-Family Housing Service**

**AVAILABILITY**

Available to any public housing authority, or to any private company which operates a housing project containing not less than 50 dwelling units, which uses gas in each dwelling unit for two or more of the following purposes: Cooking, water heating, refrigeration, air conditioning and space heating, and which contracts for gas service for a period of not less than one year, and is subject to the Chattanooga Gas Company (Company)'s determination of available gas supply. Gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly without the approval of the Company.

**MONTHLY BASE RATE** (Per Dwelling Unit  
Connected)

**Winter**

**Summer**

**Net Rate**  
**November- April**  
\$6 00/Unit

**Net Rate**  
**May-October**  
\$6 00/Unit

**Customer Base Use Charge**

**Commodity Charge**  
Flat Rate Per Month

21 17¢ Per Therm

21 17¢ Per Therm

**Air -Conditioning Commodity Charge**  
Flat Rate Per Month

----

15 00¢ Per Therm

**Standby Service Demand Charge**  
Rate Per Therm Of Input Per Month

**Demand Charge Applicable**  
**To I-1 Customers**

**Demand Charge Applicable To**  
**I-1 Customers**

Standby Input shall be based upon individual Customer's applicable gas equipment rating in Therms

$$\frac{(BTU / Hour) \times 10 \text{ Hours}}{100,000 \text{ BTU}} = \text{Number of Therm}$$

Monthly billing in units of CCF, DTH or Therms may be based upon monthly or bi-monthly meter readings

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates

**SUMMER AIR-CONDITIONING RATE**

Available to any multi-family housing Customer who has installed and regularly operates a separately metered gas-fired central air-conditioning system which meets Company's specifications. All provisions of the above rate schedule will apply except as specifically modified herein. The volume of gas used for air-conditioning purposes will be determined by metering equipment installed by the Company. In the event a single unit provides both heating and cooling, usage during Summer (billing months of May through October) shall be deemed to be air-conditioning use for purposes hereof.

**MINIMUM BILL**

The minimum monthly bill shall be the Customer Base Use Charge per dwelling unit as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

**PAYMENT TERMS**

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

Rate Schedule R-4 Multi-Family Housing Service (Continued)

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

Bills for gas service hereunder shall be subject to the provisions of the Weather Normalization Adjustment (WNA) Rider (Docket No 91-01712) as approved by the Tennessee Regulatory Authority

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Regulatory Authority

LIMITING AND CURTAILING GAS SERVICE

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority

GENERAL TERMS AND CONDITIONS

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority

**RATE SCHEDULE C-1**

**Commercial and Industrial General Service**

**AVAILABILITY**

Available to any commercial or industrial Customer for all purposes Gas service under this rate schedule in excess of 1,000 THERM per day shall be, at the option of Chattanooga Gas Company (Company), by written contract for a term of one year or less providing for monthly payment of gas Service, and is subject to the Company's determination of available gas supply Gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly

**MONTHLY BASE RATE**

Therm

Winter

Net Rate

November-April

Summer

Net Rate

May-October

Customer Base Use Charge

\$30 00

\$20 00

Commodity Charge

First 5,000 Therm Per Month

28 53¢ Per Therm

28 53¢ Per Therm

Over 5,000 Therm Per Month

15 00¢ Per Therm

15 00¢ Per Therm

Air -Conditioning Charge

Flat Rate Per Month

---

15 00¢ Per Therm

Standby Service Demand Charge

Rate Per CCF of Input Per Month

Demand Charge Applicable to  
I-1 Customers

Demand Charge Applicable to  
I-1 Customers

Standby Input shall be based upon individual Customer's applicable gas equipment rating in Therms

$$\frac{(BTU / Hour) \times 10 Hours}{100,000 BTU} = Number of Therm$$

Monthly billing in units of CCF, DTH or Therms may be based upon monthly or bi-monthly meter readings

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates

**SUMMER AIR-CONDITIONING RATE**

Available to any commercial or industrial Customer who has installed and regularly operates a separately metered gas-fired central air-conditioning system which meets Company's specifications All provisions of the above rate schedule will apply except as specifically modified herein The volume of gas used for summer air-conditioning purposes will be determined by metering equipment installed by the Company In the event a single unit provides both heating and cooling, usage during the Summer (billing months of May through October) shall be deemed to be air-conditioning use for purposes hereof

**MINIMUM BILL**

The minimum monthly bill shall be the Customer Base Use Charge plus the Standby Service Demand Charge, when applicable, as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule

**RATE SCHEDULE C-1(Continued)**

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

STANDBY SERVICE

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

The revenue realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision.

GAS LIGHT SERVICE

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light.

SPECIAL TERMS & CONDITIONS

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of \$30.00 per DTH or \$3.00 per Therm or an amount equal to the actual cost incurred by the Company to include all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule. The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company.

**RATE SCHEDULE C-1(Continued)**

**BILLING ADJUSTMENTS**

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority

Bills for gas service hereunder shall be subject to the provisions of the Weather Normalization Adjustment (WNA) Rider (Docket No 91-01712) as approved by the Tennessee Regulatory Authority

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Regulatory Authority

**LIMITING AND CURTAILING GAS SERVICE**

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Public Service Authority

**GENERAL TERMS AND CONDITIONS**

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority



**RATE SCHEDULE I-1**

**Commercial and Industrial Large Volume Firm Sales Service**

**RESTRICTED AVAILABILITY**

This rate is available to those Customers actually taking service under Rate Schedule I-1 as of February 1, 1994. This rate will be available to additional Customers subsequent to February 1, 1994 only upon Chattanooga Gas Company (Company)'s ability to provide adequate gas supply to support the sale on terms and conditions which are satisfactory in the sole judgment of the Company subject to review by the Tennessee Regulatory Authority when such review is requested by a Customer.

**AVAILABILITY**

Available to any commercial or industrial Customer for all purposes under the following conditions

- 1 Service shall be limited to Customers consistently using a minimum of 36,500 DTH annually at a daily rate of 100,000 cubic feet or 1,000 Therms or more
- 2 The Company must have available to it a supply of natural gas adequate in the opinion of the Company to meet the Customer's requirements
- 3 Customer must be on or adjacent to the Company's existing mains and the mains shall, in the Company's judgment, be adequate to serve the Customer's requirements without impairing service to other Customers
- 4 The gas shall be sold through a single point of delivery and shall not be resold directly or indirectly, without the approval of the Company. The Company is not authorized to give its approval if the purpose is to have two plants under common ownership, or separate ownership purchase gas through one meter
- 5 Service taken under this rate shall be by contract for a term of not less than 12 months

**MONTHLY BASE RATE**

Dth

Net Rate

Customer Base Use Charge

\$300 00

Demand Charge

Per Unit of Billing Demand

\$3 00 Per Dth

Commodity Charge

First 1,500 Dth Per Month

\$1 0044 Per Dth

Next 2,500 Dth Per Month

\$0 8586 Per Dth

Next 11,000 Dth Per Month

\$0 4873 Per Dth

Over 15,000 Dth Per Month

\$0 2995 Per Dth

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates

**RATE SCHEDULE I-1 (Continued)**

**MINIMUM BILL**

The minimum monthly bill shall be the Customer's Base Use Charge as shown in the Monthly Base Rate stated above plus the amount of the individual Customer's Monthly Demand Charge and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule Payment Terms

All bills for service are due upon presentation The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing

**BILLING DEMAND**

The billing demand shall be the greater of (a) or (b) below

- (a) The demand for the current month is always the highest demand day in any of the previous 11 billing months plus the current billing month - - bearing in mind that demand days are established only during the billing months of November, December, January, February and March
- (b) The demand will be 65% of the average daily consumption for the preceding months of April through October

Whenever a Customer commences taking service under this rate between April 1, and October 31 of any year, the billing demand for each billing month prior to the November billing shall be 6% of the monthly consumption in each such month Commencing with the billing month of November, the billing demand shall be determined either under (a) or (b) above

**DETERMINATION OF DEMAND DAY**

The demand day shall be determined at the option of the Company by one of the following methods

- 1 By measuring the maximum volume of gas taken by the Customer in any one day through the use of volume and pressure recording and measuring equipment installed by the Company
- 2 When gas is delivered to a Customer through a positive displacement meter without the use of daily recording and measuring equipment, the maximum volume of gas taken in any one day during the billing month shall be 6% of the total volume of gas used by the Customer during such billing month

The Company retains the option of installing recording and measuring equipment to determine the maximum volume of gas taken in any one day on the meter of any Customer purchasing gas service under this Rate Schedule

**DATA COLLECTION EQUIPMENT**

Customers provided service under this Rate Schedule shall be required to pay for the cost and installation of the Data Collection equipment (includes applicable income taxes) All Customers shall also be required to pay the cost of any power, telephone lines, or wireless facilities necessary for the operation of such equipment

**RATE SCHEDULE I-1 (Continued)**

**SPECIAL TERMS AND CONDITIONS**

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of \$30.00 per DTH or \$3.00 per Therm or an amount equal to the actual cost incurred by the Company to include all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule. The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company.

**BILLING ADJUSTMENTS**

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Regulatory Authority.

**LIMITING AND CURTAILING GAS SERVICE**

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority.

**GENERAL TERMS AND CONDITIONS**

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority.

**RATE SCHEDULE L-1**

**Commercial and Industrial Interruptible Sales Service**

**AVAILABILITY**

Gas sales service available on an interruptible basis to large volume Customers provided Chattanooga Gas Company (Company) has interruptible gas delivery capacity in excess of the then existing requirements of other Customers, and further subject to the following conditions

- 1 Service shall be limited to Customers consistently using on an annual basis, an interruptible minimum daily volume of 100 DTH. A Customer may also qualify for this rate schedule on a summer seasonal basis (May-October) provided the daily usage during this period consistently meets or exceeds 100 DTH.
- 2 The Company must have available to it a supply of natural gas adequate in the opinion of the Company to meet the Customer's requirements, and further provided the Customer's use under this rate shall not work a hardship on any other rate payers of the Company, nor adversely affect any other class of the Company's Customers. Further provided the Customer's use under this rate shall not adversely affect the Company's gas purchase plans and/or effective utilization of the daily demands under the Company's gas purchase contracts with its suppliers subject to review by the Tennessee Regulatory Authority when such review is requested by a Customer.
- 3 Customer must be on or adjacent to the Company's existing mains and the mains shall, in the Company's judgment, be adequate to serve the Customer's requirements without impairing service to other Customers unless the Customer pays all cost (including applicable Income Tax) to provide required facilities.
- 4 The gas shall be sold through a single point of delivery and shall not be resold directly or indirectly without the approval of the Company. The Company is not authorized to give its approval if the purpose is to have two plants under common ownership, or separate ownership purchase gas through one meter.
- 5 Service taken under this rate shall be by contract for a term of one year. Once a qualified Customer elects service under this Rate Schedule, all service will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. A new Customer beginning service after May 31 shall contract for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule SS-1 concurrent with this Rate Schedule. A Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule T-1 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.

RATE SCHEDULE L-1 (Continued)

- 6 Customer agrees to install and maintain in usable condition standby fuel burning facilities to enable Customer, in the event of a curtailment of gas, to continue operations on standby fuel, or to give satisfactory evidence of his ability and willingness to have the delivery of gas hereunder interrupted or curtailed by the Company in accordance with the special terms and conditions as hereinafter set forth

MONTHLY BASE RATE  
(DTH)

Net Rate

Customer Base Use Charge

\$300 00

Commodity Charge

First 1,500 Dth Per Month  
Next 2,500 Dth Per Month  
Next 11,000 Dth Per Month  
Over 15,000 Dth Per Month

\$1 0044 Per Dth  
\$0 8586 Per Dth  
\$0 4873 Per Dth  
\$0 2995 Per Dth

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates

AUTHORIZED INCREMENTAL RATE

When the Company determines that volumes of gas are available to be purchased and transported to Customers under this Rate Schedule, then the Company shall, at it's option, be authorized to charge the incremental rate in lieu of the published PGA rate for L-1 Customers for such volumes distributed to those Customers who have been offered and who have agreed to pay such incremental rate in lieu of having their gas service curtailed. On days when gas is not being withdrawn from the Company's Liquid Natural Gas (LNG) facility for system supply, the incremental rate shall be the applicable index rate plus the variable pipeline charges. On those days when gas is being withdrawn from the LNG facility, the incremental rate will be increased to reflect the cost of gas used in the liquefaction and vaporization process.

MINIMUM BILL

The minimum bill shall be the Customer Base Use Charge as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

BILLING ADJUSTMENTS

Bills for gas service hereunder shall be subject to adjustment for changes in the cost of purchased gas in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

**RATE SCHEDULE L-1 (Continued)**

**INTERRUPTIBLE AND FIRM SERVICE**

Should any Customer qualified to purchase interruptible gas under all the availability provisions quoted above desire to purchase firm gas under Rate Schedule "C-1" or "I-1" plus interruptible gas under this Rate Schedule "L-1", said Customer may do so through a single meter installation under the following conditions

- 1        The Company and the Customer must agree as to the maximum volume of firm gas to be delivered in any one day under Rate Schedule "C-1" or "I-1"
- 2        The volume of gas to be billed at the interruptible rate will be the total of the deliveries on each day of the billing month in excess of the agreed volumes for Rate Schedule "C-1" or "I-1"
- 3        The Customer's requirement for interruptible gas must not be consistently less than a minimum daily volume of 100 DTH on an annual or summer seasonal basis (May-October) above and beyond the purchase of firm gas

**DATA COLLECTION EQUIPMENT**

Customers provided service under this Rate Schedule shall be required to pay for the cost and installation (includes applicable income taxes) of the Data Collection equipment. All Customers shall also be required to pay the installation and monthly cost of any power, telephone lines or wireless facilities necessary for the operation of such equipment

**SPECIAL TERMS AND CONDITIONS**

The Company will allocate gas available for delivery under this Tariff as equitably as possible among affected Customers giving effect to those similarly situated and in so doing may always give recognition to both its own curtailment plan and those curtailment plans and requirement indexes of its pipeline suppliers to the end that available gas may reach the highest priority of service as determined from time to time by appropriate State and Federal regulatory authorities

This schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise. The Company will curtail interruptible gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules and to prevent Customers being served under other rate schedules being adversely affected as the result of gas being delivered under this rate schedule at a price that is below current costs

Customer shall immediately discontinue the use of interruptible gas service, to the extent of curtailment ordered, when and as directed by the Company, and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified

**RATE SCHEDULE L-1 (Continued)**

**SPECIAL TERMS AND CONDITIONS (Continued)**

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of \$30.00 per Dth or \$3.00 per Therm or an amount equal to the actual cost incurred by the Company to include all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule. The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to the Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of interruptible gas deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customers.

**LIMITING AND CURTAILING GAS SERVICE**

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority.

**GENERAL TERMS AND CONDITIONS**

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority.

**RATE SCHEDULE T-1**

**Interruptible Transportation Service**

**TRANSPORTATION SERVICE AGREEMENT**

Interruptible Transportation Service provided hereunder shall be an annual service under a Transportation Service Agreement on an individual Customer basis

**AVAILABILITY**

Available on an interruptible basis under a Transportation Service Agreement to large volume Customers provided Chattanooga Gas Company (Company) has interruptible gas delivery capacity in excess of the then existing requirements of other Customers, and further subject to the following conditions

- 1 Service shall be limited to Customers consistently using on an annual basis, an interruptible minimum daily volume of 100 DTH. A Customer may also qualify for this rate schedule on a summer seasonal basis (May-October) provided the daily usage during this period consistently meets or exceeds 100 DTH.
- 2 The Customer's use under this rate shall not work a hardship on any other rate payers of the Company, nor adversely affect any other class of the Company's Customers and further provided the Customer's use under this rate shall not adversely affect the Company's gas purchase plans and/or effective utilization of the daily demands under the Company's gas purchase contracts with its suppliers subject to review by the Tennessee Regulatory Authority when such review is requested by Customer.
- 3 Customer must be on or adjacent to the Company's existing mains and the mains shall, in the Company's judgment, be adequate to serve the Customer's requirements without impairing service to other Customers unless the Customer pays all cost (including applicable Income Tax) to provide required facilities.
- 4 The gas shall be delivered through a single point of delivery and shall not be resold directly or indirectly, without the approval of the Company. The Company is not authorized to give its approval if the purpose is to have two plants under common ownership, or separate ownership purchase gas through one meter.
- 5 Service taken under this rate shall be by contract for a term of one year. Once a qualified Customer elects service under this Rate Schedule, all service will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31. A new Customer beginning service after May 31 shall contract for a term extending through the following May 31. Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule SS-1 concurrent with this Rate Schedule. A Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule L-1 by giving written notice to the Company prior to March 1 of any year. Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice.



**RATE SCHEDULE T-1 (Continued)**

- 6 Customer agrees to install and maintain standby fuel burning facilities to enable Customer, in the event of curtailment of service, to continue operations on standby fuel, or to give satisfactory evidence of his ability and willingness to have the service hereunder interrupted or curtailed by the Company in accordance with the terms and conditions set forth in the Special Contract

**MONTHLY BASE RATE**  
**(DTH)**

**\*Net Rate**

**Customer Base Use Charge**

\$300 00

**Commodity Charge**

First 1,500 Dth Per Month  
Next 2,500 Dth Per Month  
Next 11,000 Dth Per Month  
Over 15,000 Dth Per Month

\$1 0044 Per Dth  
\$0 8586 Per Dth  
\$0 4873 Per Dth  
\$0 2995 Per Dth

Other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates

\*Company's Transportation Service Rate is in addition to all other applicable Pipeline Transportation Rates and Charges .

**MINIMUM BILL**

The minimum bill shall be the Customer Base Use Charge as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule

**PAYMENT TERMS**

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

**DATA COLLECTION EQUIPMENT**

Customers provided service under this Rate Schedule shall be required to pay for the cost and installation of the Data Collection equipment (includes applicable income taxes). All Customers shall also be required to pay the cost of any power, telephone lines, or wireless facilities necessary for the operation of such equipment.

**RATE SCHEDULE T-1 (Continued)**

**BALANCING**

It shall be the Customer's responsibility to maintain a daily and monthly balance with the Company to insure system integrity and avoid any assessment of penalties against the Company by the Interstate Pipelines. To insure such, Customers are required to nominate on a daily basis. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer or Customer's agent is responsible for causing the Company to be assessed such penalties.

**CASH OUT OF MONTHLY IMBALANCES**

Any difference between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. This imbalance shall be resolved monthly by "cashing out" the imbalance as it is known at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency and will buy an amount of gas equal to the deficiency from the Company. The Customer shall pay a price equal to the highest Daily Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction plus the 100% load factor FT transportation rate, applicable surcharges and fuel on the relevant pipeline times the premium percentage corresponding to the percentage of the deficiency listed in the table below plus the 100% load factor FT transportation rate. If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Daily Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction, applicable surcharges and fuel on the relevant pipeline times the discount percentage corresponding to the percentage of the deficiency listed in the table below plus the 100% load factor FT transportation rate.

Percentage of the Imbalance	Short Premium	Long Discount
Equal to or less than 5%	100%	100%
Over 5% & equal to or less than 10%	115%	85%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 19%	140%	60%
Over 20%	150%	50%

The Daily Index Cost of Gas shall be derived from the prices published in *Gas Daily* in the Daily Price Survey

Southern Natural , La	X	37%
	+	
Tennessee, zone 0	X	15%
	+	
Tennessee, La, 500 Leg	X	24%
	+	
Tennessee, La, 800 Leg	X	24%

The Company will collect gross receipt tax on the incremental gross gas related charges

**RATE SCHEDULE T-1(Continued)**

Any difference between the actual cost of gas incurred by the Company and the Index prices defined above will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7 Increments or decrements which may result for the PGA will not apply to the cash-out mechanism

**LIMITING AND CURTAILING GAS SERVICE**

Transportation Service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority

**SPECIAL TERMS AND CONDITIONS**

This schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise The Company will curtail transportation gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules

Customer shall immediately discontinue the use of transported gas service, to the extent of curtailment ordered, when and as directed by the Company, and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of \$30.00 per Dth or \$3.00 per Therm or an amount equal to the actual cost incurred by the Company to include all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company These additional charges shall be in addition to all other charges payable under this Rate Schedule

The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company

The curtailment of interruptible transportation service deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customers

**GENERAL TERMS AND CONDITIONS**

Transportation Service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority

**RATE SCHEDULE T-2**  
**Interruptible Transportation Service With**  
**Firm Gas Supply Backup**

**TRANSPORTATION SERVICE AGREEMENT**

Interruptible Transportation Service provided hereunder shall be an annual service under a Transportation Service Agreement on an individual Customer basis

**AVAILABILITY**

Available on an Interruptible basis to eligible large volume Customers Transportation Service shall be by Transportation Service Agreement in conjunction solely with service under Rate Schedule I-1.

- 1 Service will be limited to Customers consistently using on an annual basis, a minimal daily volume of 100 Dth
- 2 The Customer's use under this rate shall not work a hardship on any other rate payers of Chattanooga Gas Company ( Company), nor adversely affect any other class of the Company's Customers and further provided the Customer's use under this rate shall not adversely affect the Company's gas purchase plans and/or effective utilization of the daily demands under the Company's gas purchase contracts with its suppliers subject to review by the Tennessee Regulatory Authority when such review is requested by Customer
- 3 Customer must be on or adjacent to the Company's existing mains and the mains shall, in the Company's judgment, be adequate to serve the Customer's requirements without impairing service to other Customers
- 4 The gas shall be delivered through a single point of delivery and shall not be resold directly or indirectly, without the approval of the Company The Company is not authorized to give its approval if the purpose is to have two plants under common ownership, or separate ownership purchase gas through one meter
- 5 Service taken under this rate shall be by contract for a term of one year Once a qualified Customer elects service under this Rate Schedule, all service will be provided under the terms and conditions of this Rate Schedule for a term extending through the following May 31 A new Customer beginning service after May 31 shall contract for a term extending through the following May 31 Upon meeting the qualifications contained therein, a Customer may receive service under Rate Schedule SS-1 concurrent with this Rate Schedule A Customer may elect to discontinue service under this Rate Schedule and receive service under Rate Schedule I-1 by giving written notice to the Company prior to March 1 of any year Proper notice having been provided, the Customer shall discontinue service under this Rate Schedule effective the first June 1 following the notice

**MONTHLY BASE RATE**  
**(DTH)**

**Customer Base Use Charge**

**\*Net Rate**

\$300 00

**Demand Charge**

Per Unit of Billing Demand

\$3 00 Per Dth

**Commodity Charge**

First 1,500 Dth Per Month  
Next 2,500 Dth Per Month  
Next 11,000 Dth Per Month  
Over 15,000 Dth Per Month

\$1.0044 Per Dth  
\$0 8586 Per Dth  
\$0 4873 Per Dth  
\$0 2995 Per Dth

**RATE SCHEDULE T-2 (Continued)**

Firm Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates

\* Company's Transportation Service Rate is in addition to all other applicable Pipeline Transportation Rates and Charges

**MINIMUM BILL**

The Minimum Monthly Bill shall be the Customer Base Use Charge as shown in the Monthly Base Rate as stated above plus the amount of the individual Customers' Monthly Demand Charge and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule

**PAYMENT TERMS**

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

**BILLING ADJUSTMENTS**

Bills for Transportation Service hereunder shall be subject to adjustment for changes in the cost of Firm purchased gas demand charges in accordance with Purchased Gas Adjustment (PGA) Docket No. G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

Bills for gas service hereunder shall be subject to the provisions of the Interruptible Margin Credit Rider as approved by the Tennessee Regulatory Authority.

**SPECIAL TERMS AND CONDITIONS**

In the event of curtailment of interruptible transportation service by the Company, the pipeline transporter, or Seller, the Company agrees to supply the contracted quantity of natural gas to the Customer stated in Dth/day pursuant to the terms and conditions of Rate Schedule I-1 and the related gas sales agreement thereto or any amendments thereto. It is the intent that the Customer at all times receives the contracted stated quantity of firm gas supply from interruptible transportation service or from firm natural gas sales purchased from the Company. Service hereunder, however, shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority.

**DATA COLLECTION EQUIPMENT**

Customers provided service under this Rate Schedule shall be required to pay for the cost and installation of the Data Collection equipment (includes applicable income taxes). All Customers shall also be required to pay the cost of any power, telephone lines, or wireless facilities necessary for the operation of such equipment.

**BALANCING**

It shall be the Customer's responsibility to maintain a daily and monthly balance with the Company to insure system integrity and avoid any assessment of penalties against the Company by the Interstate Pipelines. To insure such, Customers are required to nominate on a daily basis. If the Company is assessed a penalty by a Customer's transporting pipeline, the Company shall have the right to pass-through all such penalties to the Customer to the extent the Customer or Customer's agent is responsible for causing the Company to be assessed such penalties.

**RATE SCHEDULE T-2 (Continued)**

**CASH OUT OF MONTHLY IMBALANCES**

Any difference between the quantities delivered to the Company's city gate facilities for the account of the Customer for the month, and the quantities consumed by the Customer as metered for the month, shall be the monthly imbalance. This imbalance shall be resolved monthly by "cashing out" the imbalance as it is known at that time. If the Customer consumes more gas than it has delivered to the Company, the Customer will be deemed to be "short" by the amount of the deficiency, and will buy an amount of gas equal to the deficiency from the Company. The Customer shall pay a price equal to the highest Daily Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction, applicable surcharges and fuel on the relevant pipeline times the premium percentage corresponding to the percentage of the deficiency listed in the table below plus the 100% load factor FT transportation rate. If the Customer consumes less gas than it has delivered to the Company, the Customer will be deemed to be "long" by the amount of the surplus, and the Company will buy the amount of the surplus by paying the Customer a price equal to the lowest Daily Index Cost of Gas, as determined from the "Daily Price Survey" set forth in *Gas Daily* published by Platts, in the first issue of such publication following the date of the transaction, applicable surcharges and fuel on the relevant pipeline times the discount percentage corresponding to the percentage of the deficiency listed in the table below plus the 100% load factor FT transportation rate.

Percentage of the Imbalance	Short Premium	Long Discount
Equal to or less than 5%	100%	100%
Over 5% & equal to or less than 10%	115%	85%
Over 10% & equal to or less than 15%	130%	70%
Over 15% & equal to or less than 19%	140%	60%
Over 20%	150%	50%

The Weighted Index Price" shall be derived from the prices published in *Gas Daily* from the Daily Price Survey

Southern Natural , La	X	37%
	+	
Tennessee, zone 0	X	15%
	+	
Tennessee, La, 500 Leg	X	24%
	+	
Tennessee, La, 800 Leg	X	24%

The Company will collect gross receipt tax on the incremental gross gas related charges

Any difference between the actual cost of gas incurred by the Company and the Index prices defined above will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7. Increments or decrements which may result for the PGA will not apply to the cash-out mechanism.

**RATE SCHEDULE T-2 (Continued)**

**LIMITING AND CURTAILING GAS SERVICE**

Transportation Service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority

**SPECIAL TERMS AND CONDITIONS**

This schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise. The Company will curtail transportation gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules.

Customer shall immediately discontinue the use of transportation gas service, to the extent of curtailment ordered, when and as directed by the Company, and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified.

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of \$30.00 per Dth or \$3.00 per Therm or an amount equal to the actual cost incurred by the Company to include all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of interruptible gas deliveries in whole or in part under this schedule shall not be the basis for claims against the Company for any damages sustained by the Customers.

CHATTANOOGA GAS COMPANY  
GAS TARIFF  
TRA NO 1

ORIGINAL SHEET NO 31D

**RATE SCHEDULE T-2 (Continued)**

**GENERAL TERMS AND CONDITIONS**

Transportation service hereunder shall be subject to the company's rules and regulations as filed with the Tennessee regulatory authority. The effectiveness of this tariff sheet will terminate should it be determined by the Tennessee regulatory authority that the limiting provisions contained in paragraph 2 of the availability section of this rate schedule are required to be implemented.

ISSUED JULY 9, 2004  
ISSUED BY STEVE LINDSEY, VP

EFFECTIVE AUGUST 1, 2004



**RATE SCHEDULE SF-1**

**Experimental Semi-Firm Sales Service (SFSS)**

**AVAILABILITY**

This Rate Schedule is a bundled sales service available to those Customers served under Chattanooga Gas Company's Interruptible Rate Schedule L-1, Interruptible Transportation Rate Schedule T-1, and/or Interruptible Transportation with Firm Supply Backup T-2, to assist such Customers with mitigating the volatility of gas costs by providing the option of using storage volumes when such volumes can be made available by the Company with no detriment to the Company's firm ratepayers

Service under this Rate Schedule will be awarded to winning bidders for November 1 of the current year through March 31 of the following year (Heating Season) Service provided under this Rate Schedule may be interrupted on any given day contingent on the Company's ability to provide service to the Company's firm rate payers

**TITLE TO GAS**

All Gas dedicated to SFSS annually shall remain the property of the Company Title to said dedicated Gas shall pass from the Company to the Customer when Gas is delivered to the Customer pursuant to the terms of this Rate Schedule

**AVAILABLE VOLUMES**

On August 1 of each year the Company will post the total Deliverability and Reserved Volumes that will be made available to eligible Customers under this Rate Schedule for the upcoming Heating Season In addition the Company will post acceptable minimum seasonal Deliverability and Reservation Rates that would be acceptable to the Company as well as the commodity rate that will be applied to the total aggregate Reserved Volumes upon delivery Customers eligible to receive service under SFSS may submit bids to the Company on or before August 20 Bids must include the following. Customer's desired Maximum Daily Deliverability; the dollar value the Customer places on the requested Maximum Daily Deliverability Volume in the form of a monthly unit Maximum Daily Deliverability Rate, Customer's desired total Reserved Volume, and the dollar value the Customer places on the requested Reserved Volume during the Heating Season in the form of a monthly unit Reservation Rate On or before August 25 the Company will evaluate all bids and award the reserved Daily Deliverability and Reserved Volumes to the bid(s) generating the highest Net Present Value (NPV) However, in no event may a Customer's total Reserved Volume exceed the Customer's average daily usage during the previous twelve months times 30 days nor the Customers Daily Deliverability exceed the Customer's highest demand day during the previous Heating Season If an L-1 customer nominates SFSS service for a given day and fails to burn such amount, then such volumes will be carried over to the subsequent day.

If two or more bids generate the same NPV and the requested volumes exceed the total Daily Deliverability or total Reserved Volume available for use under this Rate Schedule, the Daily Deliverability will be allocated to the winning bidders on a pro rata basis On or before August 31 the winning bidders shall enter into a contract to purchase from the Company the requested and/or allocated Reserved Volume

**DELIVERABILITY**

Service provided under this Rate Schedule on a daily basis is limited to the total remaining capacity of the Company after firm requirements are satisfied In the event of a curtailment SFSS supply must be nominated and will be delivered as long as the Company's firm requirements are satisfied If on any day, the Company is unable to meet the total SFSS nominations because the demand for Gas to be delivered under this Rate Schedule exceeds the Company's ability to deliver Gas using the Company's existing capacity, nominations will be confirmed based on the highest unit rate bid for the monthly Deliverability Rate In the event multiple bids are the same the volumes will be reduced prorata In no event will a Customer's cumulative receipt of Gas under this Rate Schedule exceed the Customer's total Reserved Volume for the Heating Season

RATE SCHEDULE SF-1 (Continued)

RATES

These rates are in addition to the rates applicable to the Customer under Rate Schedules L-1, T-1 and or T-2. The following charges shall be billed monthly during the Heating Season:

- (a) Maximum Deliverability Rate - A charge per Dth applied to the Maximum Daily Deliverability that the Customer bid and the Company accepted
- (b) Reservation Rate - A charge per Dth applied to the Reserved Volume that the Customer bid and the Company accepted
- (c) Supplier Demand Rate - A charge per Dth applied to the Maximum Daily Deliverability awarded to the Customer. The purpose of this charge is to recover the total fixed costs from the interstate pipeline associated with the storage service(s) underlying this service. All revenue collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Demand cost under the Purchased Gas Adjustment provision of the Company's tariff
- (d) Supplier Volumetric Rate - A charge per Dth for volumes delivered under this Rate Schedule during the preceding month. The purpose of this charge is to recover the total variable interstate pipeline costs associated with providing this service, including but not limited to the FT volumetric charge, storage injection and withdrawal charges and any and all associated fuel and surcharges. Revenues collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Commodity cost under the Purchased Gas Adjustment provision of the Company's tariff
- (e) Commodity Rate - A rate per Dth for Gas delivered under this Rate Schedule during the preceding month. The rate to be applied to the Reservation Volumes will be posted on August 1 of any given year. Revenues collected from this charge shall be credited to the Deferred Gas Cost Account as recovered Commodity cost under the Purchased Gas Adjustment provision of the Company's tariff
- (f) Carrying Cost - The monthly cost for retaining the Reserved Volumes contracted by Customer. The amount charged shall be billed monthly for the preceding months remaining reserved volumes multiplied by the Company's pretax authorized rate of return

Payment for the Maximum Daily Deliverability Charge and the Reservation Charge, shall be in five equal monthly payments due on the first of the month beginning November 1. All other charges shall be due upon presentation. Payments received after the due date shall be for an amount which shall be greater by five percent (5%) than the net billing.

**RATE SCHEDULE SF-1 (Continued)**

**NOTIFICATION BY CUSTOMERS**

Qualifying Customers that have been approved for SFSS volumes will notify the Company by fax or e-mail by 12 00 Noon prior to the effective Gas Day that they desire to use volumes available under this Rate Schedule. Customers will be notified via e-mail or fax when demand for gas volumes under this Rate Schedule are terminated or allocated due to deliverability limitations pursuant to the availability provisions of this Rate Schedule. Provision of Gas under this Rate Schedule will automatically end when the Customer has utilized the Customer's Reserved Volume for the applicable Heating Season.

**VOLUME REMAINING AT MARCH 31**

If a Customer does not utilize the Customer's total Reserved Volume awarded by the Company, the remaining volume as of April 1 will be transferred to the Company's system inventory (excluding Company LNG). If there is a positive difference between the per Dth rate charged Customer during the Heating Season and the Company's per Dth cost of inventory (excluding Company LNG) as of April 1, the Customer will be billed for such difference in its next monthly bill.

**Natural Gas Vehicle Service**

**AVAILABILITY**

Available for all gas service furnished to any gas Customer who uses Natural Gas as an energy source for the propulsion of motor vehicles when the natural gas is delivered by Chattanooga Gas Company (Company) into separately metered facilities which compress the natural gas for such use, who contract in writing for service under this Rate Schedule, and who provide the necessary facilities for the compression of such natural gas for delivery to vehicles

**MONTHLY BASE RATE**

**Net Rate**

Customer Base Use Charge

\$17 50

Commodity Charge

15 00¢ Per Therm

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes, including any amounts due in the form of motor fuel tax imposed by any governmental agency, as amended from time to time, shall be added to the above rates

**MINIMUM BILL**

The minimum monthly bill shall be the Customer Base Use Charge as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

**PAYMENT TERMS**

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

**BILLING ADJUSTMENTS**

Bills for gas service hereunder shall be subject to adjustments for changes in the cost of purchased gas in accordance with Purchased Gas Adjustments (PGA) Docket No. G86-1 of the Tennessee Regulatory Authority Rules and Regulations and shall be subject to other adjustments, charges and/or credits as determined to be applicable and approved by the Tennessee Regulatory Authority.

**LIMITING AND CURTAILING GAS SERVICE**

Gas service hereunder shall be subject to the Company's Schedule for Limiting and Curtailing Gas Service as filed with the Tennessee Regulatory Authority.

**GENERAL TERMS AND CONDITIONS**

Gas service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority as well as the contractual provisions contained in the contract for service hereunder.

Special Service

AVAILABILITY

This Rate Schedule is available to any commercial, industrial or transportation service Customer on those occasions when Chattanooga Gas Company (Company) has gas or transportation service that it cannot sell pursuant to its Interruptible Rate Schedule L-1 or Interruptible Transportation Rate Schedule T-1. On such occasions, the gas or transportation sales would be lost to the Company and to its Customers. This Rate Schedule is designed to permit the Company to sell such gas, or transportation service at negotiated rates and for the purpose of enabling the Company to compete with alternate fuels available for use by its Customers.

Service under this Rate Schedule is available to Customers on a temporary basis within the franchised territory of the Company and who are connected to the Company's distribution system and to transportation service Customers who can be served by pipeline supplier transportation arrangements. Service may be provided under this Rate Schedule only in the event that the Company has volumes of gas or transportation service that cannot be sold under other applicable Rate Schedules of the Company because of alternate fuel competition.

MONTHLY RATE

The Customer shall pay the Company for all gas or transportation service provided under this Rate Schedule at a predetermined net rate negotiated prior to providing service.

MINIMUM BILL

The minimum bill shall be the applicable Customer Base Use Charge due under Rate Schedule L-1 or T-1 and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

PAYMENT TERMS

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

ALTERNATE FUEL PRICE

In order to qualify for negotiated rates available under this Rate Schedule, the Customer shall furnish the Company with an affidavit setting forth the equivalent alternate fuel price, the quality of the alternate fuel, the quantity of the alternate fuel available at the current alternate fuel price and the period of time for which the current alternate fuel price will be effective.

SPECIAL TERMS AND CONDITIONS

When gas or transportation service is available for delivery under this Rate Schedule, the Company will always give recognition to both its own curtailment plan and those curtailment plans and requirement indexes of its pipeline suppliers to the end that available gas may reach the highest priority of service as determined from time to time by appropriate State and Federal regulatory authorities.

This Rate Schedule is subject to interruption on one-half-hour's notice given by the Company by telephone or otherwise. The Company will curtail gas or transportation service to the Customers under this Rate Schedule prior to curtailment of service under any other Rate Schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules.

**RATE SCHEDULE SS-1 (Continued)**

SPECIAL TERMS AND CONDITIONS (Continued)

Customer shall immediately discontinue the use of gas or transportation service, to the extent of curtailment ordered, when and as directed by the Company, and authorized representatives of the Company shall have at all times the right of ingress and egress to the Customer's premises. Upon determination by the Company that the necessity for curtailment has ceased the Company shall so notify the Customer by telephone or otherwise and the Customer shall not resume service until so notified.

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of the rate of \$30.00 per DTH or \$3.00 per Therm or an amount equal to the actual cost incurred by the Company to include all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized over-run shall not under any circumstances be considered as giving any such right to take unauthorized over-run volumes, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect its obligations to adhere to the provisions of its contract with the Company.

The curtailment of gas deliveries in whole or in part under this Rate Schedule shall not be the basis for claims against the Company for any damages sustained by the Customers.

GENERAL TERMS AND CONDITIONS

Service hereunder shall be subject to the Company's Rules and Regulations as filed with the Tennessee Regulatory Authority.

**RATE SCHEDULE BBS - 1**

Budget Billing Service

AVAILABILITY

Available to any Residential or Firm Commercial Customer The Customer's gas account must be current when joining the Budget Billing plan

GENERAL TERMS AND CONDITIONS

Customer Notification and Application Forms will be mailed in July of each year

The used-to-date amount consists of the total to date of the Customer's gas bills that the Customer would have incurred from the beginning of the budget plan had the Customer not been on the Budget Billing plan

The paid-to-date amount consists of all payments to date by the Customer toward the Budget Billing plan from the beginning of the budget plan

The budget year begins with the September billing and continues throughout the following August The monthly budget payment amount is determined from the premise's Annual Base The Annual Base is an actual or calculated dollar amount of the yearly gas usage for the premise For new Customers who begin the plan in September, the Annual Base is divided by 11.5 to determine the monthly budget installment amount

Customers may join the plan at any time during the budget year Budget installments will be determined from the number of months remaining until the end of the budget year.

The minimum monthly budget installment amount is \$5.00 The plan is renewed automatically each year The Customer may cancel the Budget Billing Agreement at any time upon making a request to return to Regular Billing status

If the account is past-due and the used-to-date amount exceeds the paid-to-date amount, the account may be removed from the budget plan at the company's option

BILLING ADJUSTMENTS

Budget Billing accounts are reviewed four times a year These reviews occur in November, February, May, and August The monthly installment amount may change with each review An account will not be reviewed in November or May if the budget plan has been in effect less than two months

In November, the monthly installment amount will be recalculated if the used-to-date and the billed-to-date amounts differ by more than one monthly budget bill installment The recalculated amount will be determined as follows The amounts from the previous year's December through August bills are added to the November difference between the used-to-date and billed-to-date amounts The total amount is divided by 8.5 If the difference between the current budget installment and the recalculated amount is greater than 35% of the current budget installment, the recalculated amount becomes effective in December.

**RATE SCHEDULE BBS-1 (Continued)**

In February, all Budget Billing accounts will be recalculated. The recalculated amount will be determined as follows. The amounts from the previous year's March through August bills are added to the February difference between the used-to-date and billed-to-date amounts. The total amount is divided by 5.5. When the current budget amount is \$50.00 or greater and the difference between the current and the recalculated amount is greater than \$5.00, then the recalculated amount becomes effective in March. When the current budget amount is less than \$50.00 and the difference in the current and recalculated amounts is greater than 10% of the current amount, then the recalculated amount becomes effective in March.

In May, the monthly installment amount will be adjusted if the used-to-date and the billed-to-date amounts differ by more than two monthly budget bill installments. The recalculated amount will be determined as follows. The amounts from the previous year's June through August bills are added to the May difference between the used-to-date and billed-to-date amounts. The total amount is divided by three (3). If the difference between the current budget installment and the recalculated amount is greater than 35% of the current budget installment, the recalculated amount becomes effective in June.

When Customers sign up for the Budget Payment Plan, they may choose to have their excess credits (difference), if any, rolled into the budget amount for next year or they may choose to settle the account at the end of the budget year.

Each Customer who elects the refund option will receive a refund if the difference between the used-to-date and billed-to-date amounts at the end of the budget year is a credit of \$25.00 or greater. A credit balance of less than \$25.00 will be refunded at the request of the Customer. If the difference is a debit, the difference will be billed to the Customer in August.

If the Customer elects the rollover option, a difference of \$12.00 or greater (debit or credit) will be rolled into the new budget year calculations. A difference of less than \$12.00 (debit or credit) will be billed as an adjustment to the regular August installment.



**INTERRUPTIBLE MARGIN CREDIT RIDER**

**APPLICABILITY**

This Rider shall apply to and become part of each of Chattanooga Gas Company's (Company's) Rate Schedules under which gas is sold on a firm basis (hereinafter referred to as "Firm Schedule")

**INTENT AND APPLICATION**

This Interruptible Margin Credit Rider is intended to authorize the Company to recover ninety percent (90%) of the gross profit margin losses that result from rates negotiated under the provisions of Special Service Rate Schedule SS-1 or from Customers who switch to alternate fuels where the Company is unable to meet alternate fuel competition

This Interruptible Margin Credit Rider is also intended to authorize the Company to recover not more than fifty percent (50%) of the gross profit margin that results from transactions with non-jurisdictional Customers that rely on the Company's gas supply assets (all such transactions including off-system sales) should such transactions be made by the Company.

**DETERMINATION OF GROSS PROFIT MARGIN LOSSES**

The gross profit margin loss shall be calculated as ninety percent (90%) of the difference between the Test-Year Targeted Rate Margin as determined in the Company's most recent rate case order of the Authority and the Actual Negotiated Rate Margin

Any amount of gross profit margin losses shall be recovered from the firm commodity component of gas costs as determined under the presently effective Purchased Gas Adjustment Provision

**FILING WITH THE AUTHORITY**

Each negotiated rate gross profit margin loss accounting/recovery period shall correspond with the Company's Fiscal Year which ends December 31, each year

The Company shall charge all authorized negotiated rate gross profit margin losses to the "Deferred Gas Cost" account in accordance with Section III C of the Authority's PGA Docket No G86-1 and shall file the supplemental sheets required by this Rule showing the calculation of the margin losses

**WEATHER NORMALIZATION ADJUSTMENT**

**(WNA) RIDER**

**PROVISION FOR ADJUSTMENT**

The base rate per CCF/therm (100,000 Btu) for gas service set forth in any rate schedules utilized by the Authority in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment "

**DEFINITIONS**

For Purpose of this Rider

"Authority" means the Tennessee Regulatory Authority

"Relevant Rate Order" means the final order of the Authority in the most recent litigated rate case of Chattanooga Gas Company (Company) fixing the rates of the Company or the most recent final order of the Authority Specifically prescribing or fixing the factors and procedures to be used in the application of this Rider

**COMPUTATION OF WEATHER NORMALIZATION ADJUSTMENT**

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per CCF/therm by the following formula

$$WNA_i = R_i \frac{(HSF_i(NDD - ADD))}{(BL_i + (HSF_i \times ADD))}$$

**Where**

- |         |   |  |
|---------|---|--|
| $i$     | = | any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification   |
| $WNA_i$ | = | Weather Normalization Adjustment Factor for the $i$ th Rate Schedule or classification expressed in cents per CCF/therm  |
| $R_i$   | = | weighted average base rate (base rate less any embedded gas cost) of temperature sensitive sales for the $i$ th schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues |
| $HSF_i$ | = | heat sensitive factor for the $i$ th schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues  |
| $NDD$   | = | normal billing cycle heating degree days utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues   |
| $ADD$   | = | actual billing cycle heating degree days   |
| $BL_i$  | = | base load sales for the $i$ th schedule or classification utilized by the Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues  |

**FILING WITH AUTHORITY**

The Company will file as directed by the Authority (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and (c) a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment

**WEATHER NORMALIZATION ADJUSTMENT**

**(WNA) RIDER COMPONENTS**

<u>RATE SCHEDULE</u>	<u>WEIGHTED BASE RATE (\$THERM)</u>	<u>HEAT SENSITIVE FACTOR - HSF (THERM)</u>	<u>BASE LOAD - BL (THERM)</u>
<u>(R-1) RESIDENTIAL GENERAL SERVICE</u> Winter (November – April)	187111	191495	12 901
<u>(R-4) MULTI-FAMILY HOUSING SERVICE</u> Winter (November - April)	211700	098985	18 695
<u>(C-1) COMMERCIAL AND INDUSTRIAL GENERAL SERVICE</u> Winter (November - April)	253583	811269	171 926

**PURCHASED GAS ADJUSTMENT PROVISION PURSUANT TO RULE 1220-4-7 OF**

**THE TENNESSEE REGULATORY AUTHORITY RULES AND REGULATIONS**

**I GENERAL PROVISIONS**

- A This Purchased Gas Adjustment (PGA) Rider is intended to permit the Company to recover, in a timely fashion, the total cost of gas purchased for delivery to its Customers and to assure that the Company does not over-collect or under-collect Gas Costs from its Customers
- B This Rider is intended to apply to all Gas Costs incurred in connection with the purchase, transportation and/or storage of gas purchased for general system supply, including, but not limited to, natural gas purchased from interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of liquefied natural gas (LNG), liquefied petroleum gas (LPG), substitute, supplemental or synthetic natural gas (SNG), and other hydrocarbons used as feed-stock, other distribution companies and end-users, whether or not the Gas Costs are regulated by the Federal Energy Regulatory Authority and whether or not the provider of the gas, transportation or storage is affiliated with the Company
- C To the extent practicable, any revision in the PGA shall be filed with the Authority no less than thirty (30) days in advance of the proposed effective date and shall be accompanied by the computations and information required by this Rider. It is recognized, however, that in many instances the Company receives less than 30 days notice from its Suppliers and that other conditions may exist which may prevent the Company from providing 30 days advance notice. Therefore, should circumstances occur where information necessary for the determination of an adjustment under this Rider is not available to the Company so that the thirty (30) days requirement may be met, the Company may, upon good cause shown, be permitted to place such rates into effect with shorter advance notice
- D The rates for gas service set forth in all of the Rate Schedules of the Company shall be adjusted pursuant to the terms of the PGA, or any specified portion of the PGA as determined by individual Rate Schedule(s)
- D No provision of this Rider shall supersede any provision of a Special Contract approved by the Authority

**II DEFINITIONS**

- A “**Gas Costs**” shall mean the total delivered cost of gas paid or to be paid to Suppliers, including, but not limited to, all commodity/gas charges, demand charges, peaking charges, surcharges, emergency gas purchases, over-run charges, capacity charges, standby charges, gas inventory charges, minimum bill charges, minimum take charges, take-or-pay charges and take-and-pay charges (except as provided below), storage charges, service fees and transportation charges and any other similar charges which are paid by the Company to its gas suppliers in connection with the purchase, storage or transportation of gas for the Company's system supply.
- B “**Fixed Gas Costs**” shall mean all Gas Costs based on the Company's right to demand gas or transportation on a daily or seasonal peak, but unless otherwise ordered by the Authority, shall not include other charges paid for gas reserve dedication (e.g., reservation fees and gas inventory charges), minimum bill charges, minimum take charges, over-run charges, emergency gas charges, take-or-pay charges or take-and-pay charges (all of which shall be considered commodity costs)

**PURCHASED GAS ADJUSTMENT PROVISION (Continued)**

- C “**Gas Charge Adjustment**” shall mean the per unit amount billed by the Company to its Customers solely for Gas Costs. The Gas Charge Adjustment shall be separately stated for firm Customers and for non-firm Customers.
- D “**Suppliers**” shall mean any person or entity, including affiliates of the Company, who locates, purchases, sells, stores and/or transports natural gas or its equivalent for or on behalf of the Company. Suppliers may include, but not be limited to, interstate pipeline transmission companies, producers, brokers, marketers, associations, intrastate pipeline transmission companies, joint ventures, providers of LNG, LPG, SNG, and other hydrocarbons used as feed-stock, other distribution companies and end-users.
- E “**Computation Period**” shall mean the twelve (12) month period utilized to compute Gas Costs. Such period shall be the twelve (12) month period ending on the last day of a month which is no more than 62 days prior to the filing date of a PGA.
- F “**Demand Billing Determinants**” shall mean the annualized volumes for which the Company has contracted with Suppliers as of the first day of the Filing Month.
- G “**Commodity Billing Determinants**” shall mean the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. Should the Company expect to purchase commodity gas from several Suppliers, the Company shall allocate to each supplier a percentage of the total metered throughput, regardless of source, during the Computation Period, adjusted for known and measurable changes. The percentage used to allocate among Suppliers shall be based on historical takes during the Computation Period, if appropriate, otherwise it shall be based upon the best estimate of the Company.
- H “**Filing Month**” shall mean the month in which a proposed revision is to become effective.

III COMPUTATION AND APPLICATION OF THE PGA

The PGA shall consist of three major components. (1) the Gas Charge Adjustment, (2) the Refund Adjustment, and (3) the Actual Cost Adjustment (ACA).

A Computation of Gas Charge Adjustment

The Company shall compute the jurisdictional Gas Charge Adjustment at such time that the Company determines that there is a significant change in its Gas Costs.

- 1 **Formulas** The following formulas shall be used to compute the Gas Charge

$$FirmGCA = \left[ \left( \frac{D \pm DACA}{SF} \right) - DB \right] + \left[ \left( \frac{P + T + SR \pm CACA}{ST} \right) - CB \right]$$

$$Non - FirmGCA = \left( \frac{P + T + SR \pm CACA}{ST} \right) - CB$$

**PURCHASED GAS ADJUSTMENT PROVISION (Continued)**

**2. Definitions of Formula Components.**

GCA	=	The Gas Charge Adjustment in dollars per CCF/Therm, rounded to no more than five decimal places
D	=	The sum of all fixed Gas Costs.
DACA	=	The demand portion of the ACA
P	=	The sum of all commodity/gas charges
T	=	The sum of all transportation charges
SR	=	The sum of all FERC approved surcharges
CACA	=	The commodity portion of the ACA
DB	=	The per unit rate of demand costs or other fixed charges included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Authority so approves)
CB	=	The per unit rate of variable Gas Costs included in base rates in the most recently completed general rate case (which may be zero if the Company so elects and the Authority so approves)
SF	=	Firm sales
ST	=	Total sales

**3. Determination of Factors for Gas Charge Adjustment.**

**a Demand Charges (Factor D)**

All fixed Gas Costs that do not vary with the amount of gas purchased or transported, including, but not limited to, the product resulting from the multiplication of (1) the respective Demand Billing Determinants by (2) the demand rates effective the first day of the Filing Month and (3) any fixed storage charges

**b Demand Actual Cost Adjustment (Factor DACA)**

See Subsection C of Section III

**PURCHASED GAS ADJUSTMENT PROVISION (Continued)**

- c      **Purchased Commodity Charges (Factor P)**  
All commodity or other variable gas costs associated with the amount of gas purchased or transported including, but not limited to, the product resulting from the multiplication of (1) the respective Commodity Billing Determinants by (2) the respective supplier's commodity/gas rate which are known, or if not known which are reasonably anticipated, to be in effect on the first day of the Filing Month
- d      **Transportation Charge (Factor T)**  
The transportation charges actually invoiced to the Company during the Computation Period or expected to be invoiced to the Company during the current period
- e      **FERC Approved Surcharges (Factor SR)**  
The sum of all FERC approved surcharges, including gas inventory charges or its equivalent, actually invoiced or expected to be invoiced to the Company during the Computation Period or to be effective the first day of the Filing Month by respective Suppliers
- f      **Annual Cost Adjustment (Factor ACA)**  
See Subsection C of Section III
- g      **Firm Sales (Factor SF)**  
Total volumes billed to the Company's firm Customers during the Computation Period, regardless of source, adjusted for known and measurable changes
- h      **Total Sales (Factor ST)**  
Total volumes billed to all the Company's Customers during the Computation Period, regardless of source, adjusted for known measurable changes

**4. Modification of Formulas.**

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules, therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Authority shall act to suspend the proposed amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

**PURCHASED GAS ADJUSTMENT PROVISION (Continued)**

**5. Filing with the Authority.**

The computation of the Gas Charge Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I of this Rider, and shall remain in effect until a revised Gas Charge Adjustment is computed and filed pursuant to this Rider.

The Company shall file with the Authority a transmittal letter, an exhibit showing the computation of the Gas Charge Adjustment, a PGA tariff sheet, and any applicable revised tariff sheets issued by Suppliers

The transmittal letter shall state the PGA tariff sheet number, the service area(s), the primary reasons for revision, and the effective date

If the Company proposes to recover any Gas Costs relating to (1) any payments to an affiliate or (2) any payments to a non-affiliate for emergency gas, over-run charges, take-or-pay charges, and take-and-pay charges (except as provided below) or (3) the payment of any demand or fixed charges in connection with an increase in contract demand, the Company must file with the Authority a statement setting forth the reasons why such charges were incurred and sufficient information to permit the Authority to determine if such payments were prudently made under the conditions which existed at the time the purchase decisions were made

Any filing of a rate change under this Rider shall be effective on the proposed effective date unless the Authority shall act to suspend the proposed change within thirty days after the filing, in which case the filing shall be subject to notice and hearing

The recovery of pipeline take-or-pay charges which were the subject of Docket No U-87-7590 shall continue to be handled under procedures approved by this Authority in that docket until such time as such procedures may be modified or amended by further order of the Authority

**B. Refund Adjustment.**

The Refund Adjustment shall be separately stated for firm and non-firm Customers, and may be either positive or negative

**1. Computation of Refund Adjustment**

The Company shall compute a Refund Adjustment on the last day of each calendar quarter using the following formulas :

$$FirmRA = \left( \frac{DR1 - DR2}{SFR} \right) + \left( \frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$

$$Non - FirmRA = \left( \frac{CR1 - CR2 \pm CR3 \pm i}{STR} \right)$$



**PURCHASED GAS ADJUSTMENT PROVISION (Continued)**

**2. Definitions of Formula Components.**

RA	= The Refund Adjustment in dollars per CCF/therm, rounded to no more than five decimal places
DRI	= Demand refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo
DR2	= A demand surcharge from a Supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment
CRI	= Commodity refund not included in a currently effective Refund Adjustment, and received from Suppliers by check, wire transfer, or credit memo
CR2	= A commodity surcharge from a supplier not includable in the Gas Charge Adjustment, and not included in a currently effective Refund Adjustment
CR3	= The residual balance of an expired Refund Adjustment
I	= Interest on the "Refund Due Customers' Account," using the average monthly balance based on the beginning and ending monthly balances. The interest rates for each calendar quarter used to compute such interest shall be a rate 2% below the arithmetic mean (to the nearest one-hundredth of one percent) of the prime rate value published in the "Federal Reserve Bulletin" or in the Federal Reserve's "Selected Interest Rates" for the 4th, 3rd, and 2nd months preceding the 1st month of the calendar quarter
SFR	= Firm sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule.
STR	= Total sales as defined in the Gas Charge Adjustment computation, less sales under a transportation or negotiated rate schedule

**3. Modification of Formula.**

The formulas set forth above are not designed for use with two-part demand/commodity rate schedules, therefore, the formulas may be modified for use with such rate schedules. In addition, the formulas may be modified from time to time to carry out the intent of this PGA Rider. Any amendment to the formulas shall be effective on the proposed effective date of the amendment unless the Authority shall act to suspend the proposed amendment within thirty days after the filing of the proposed amendment, in which case the proposed amendment shall be subject to notice and hearing.

**PURCHASED GAS ADJUSTMENT PROVISION (Continued)**

**4. Filing with the Authority.**

The computation of the Refund Adjustment shall be filed in accordance with the notice requirements specified in Subsection C of Section I this Rider, and shall remain in effect for a period of twelve (12) months or for such longer or shorter period of time as required to appropriately refund the applicable refund amount

The Company shall file with the Authority a transmittal letter, exhibits showing the computation of the Refund Adjustment and interest calculations, and a PGA tariff sheet. The transmittal letter shall state the PGA tariff sheet number, the service area(s), the reason for adjustment, and the effective date. Should the Company have a Gas Charge Adjustment filing to become effective the same date as a Refund Adjustment, a separate transmittal letter and PGA tariff sheet shall not be necessary.

**C. Actual Cost Adjustment.**

Commencing with the initial effective date of this Rider, the Company shall calculate the ACA monthly. The Company may, at its option, file monthly to include the ACA in its calculation of the Gas Charge Adjustment but shall be required to do so at least annually. The ACA shall be the difference between (1) revenues billed Customers by means of the Gas Charge Adjustment and (2) the cost of gas invoiced the Company by Suppliers plus margin loss (if allowed by order of the Authority in another docket) as reflected in the Deferred Gas Cost account. The balance of said account shall be adjusted for interest at the rate provided for the calculation of interest with respect to the Refund Adjustment. The ACA shall be segregated into demand and commodity, and shall be added to or deducted from, as appropriate, the respective demand and commodity costs included in the Gas Charge Adjustment. Supplemental sheets showing the calculations of margin losses and cost savings shall also be provided.

**D. Adjustments to Prior Period ACAs.**

In the event that circumstances warrant a correction to or restatement of a prior period ACA, such correction or restatement shall be made in accordance with the ACA calculation in effect for the time period(s) to which the correction or restatement relates. The resulting adjustment shall then be added to or deducted from the appropriate ACA in the next ensuing ACA filing with the Authority.

**E. Annual Filing with the Authority.**

Each year, the Company shall file with the Authority an annual report reflecting the transactions in the Deferred Gas Cost Account. Unless the Authority provides written notification to the Company within 180 days, the Deferred Gas Cost Adjustment Account shall be deemed in compliance with the provisions of this Rider.

**IV. GAS COST ACCOUNTING**

To appropriately match revenues with cost of purchased gas as contemplated under this rule, the Company shall originally record the cost of purchased gas in a "Deferred Gas Cost" account. Monthly the Company shall debit "Natural Gas Purchases" with an amount equal to any gas cost component included in the Company's base tariff rates (base rate) plus the PGA rate, as calculated hereunder, multiplied by the appropriate sales volumes billed to Customers. The corresponding monthly credit entry shall be made to the "Deferred Gas Cost" account.

**CURRENT LEVEL OF APPLICABLE TAXES**

**APPLICABILITY**

This Schedule shall be applicable to all Rate Schedules and to each Customer rendered gas service hereunder except for those Customers qualifying for specific exemption. A copy of the appropriate State approved exemption certificate form shall be filed with the Company in order to qualify for exemption

**BILLING**

The taxes due under this Schedule shall be included in the monthly bill for service rendered and shall be considered as an integral part of the total monthly bill due

**APPLICABLE TAXES**

**CITY OF CLEVELAND FRANCHISE TAX**

This Tax shall be billed at the rate of 2% on the Cleveland Division Customers subject to the Tax

**STATE OF TENNESSEE SALES TAX**

This Tax shall be billed as follows

*Residential* - Tax Exempt Effective July 1, 1985

*Multi-Family Housing Service* - Billed at rate of 7%

*Commercial and Industrial* - Billed at rate of 7% unless Customer qualifies for special 1 1/2% rate or total exemption

**SCHEDULE FOR LIMITING AND CURTAILING GAS SERVICE**

**SUPPLY OR CAPACITY RELATED CURTAILMENTS**

In situations when supply and capacity services contracted by the Company are not sufficient to meet the full requirements of Customers desiring sales services from the Company, the Company will first curtail service to interruptible sales and transportation Customers by priority of their margin contribution to the Company. Customers receiving discounted sales or transportation service will also be curtailed according to the discounted rates. In the event that further interruption is required, the Company will proceed with curtailment by margin contribution considering end use, impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

The Company will curtail interruptible gas service to the Customers under this schedule in order to prevent a shortage of gas for the use of Customers under the Company's other rate schedules and to prevent Customers being served under other rate schedules being adversely affected as the result of gas being delivered under this rate schedule at a prices that is below current costs.

**EMERGENCY SERVICE**

The Company will make every reasonable effort to deliver plant protection volumes to industrial and commercial Customers that do not have standby fuel systems sufficient to prevent damage to facilities or danger to personnel, or to Customers that find it impossible to continue operations on the Customer's standby or alternate energy source as a result of a bona fide existing or threatened emergency. This includes the protection of such existing material in process that would otherwise be destroyed, or deliveries required to maintain plant production. All emergency gas service is of a discretionary nature and implies no present or future obligation of the Company to any Customer to provide such service on either a temporary or continuing basis. Deliveries of gas hereunder shall be made pursuant only to advance operating arrangements between the Company's authorized personnel and the Customer and shall be subject to curtailment and interruption at any time should the Company deem it necessary.

**ECONOMIC CURTAILMENT**

Service to interruptible sales service Customers may be curtailed in the event that continuing such service could adversely affect the Customers being served under the Firm Sales Service Rate Schedules as the result of the interruptible PGA being below current costs.

**LIMITING FIRM GAS SERVICE**

Large commercial and industrial firm gas service entitlements shall at all times be limited by contract as to annual, monthly, and daily volumes. Contract amounts as to annual, monthly, and daily volumes are subject to change by Company as supply conditions or Customer consumption patterns warrant. Any quantity of gas exceeding specified contract amounts taken by Customer without Company's advance written approval will be subject to unauthorized over-run penalty as prescribed below.

UNAUTHORIZED OVER-RUN PENALTY

If at any time a Customer exceeds specified contract entitlements or if, during any Curtailment Period, any Affected Customer takes, without Company's advance written approval, a volume of natural gas in excess of the Curtailment Period Quantity Entitlement applicable to such Customer, said volume shall constitute unauthorized over-run volume. Such unauthorized over-run volume taken by such Customer, shall be paid for by the Customer at the greater of the rate of \$30.00 per Dth or \$3.00 per Therm or an amount equal to the actual cost incurred by the Company to include all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company. These additional charges shall be in addition to all other charges payable under this Rate Schedule. The payment of a penalty for unauthorized over-run shall not under any circumstances be considered as giving any such Customer the right to take unauthorized over-run, nor shall such payment be considered as a substitute for any other remedies available to Company or any other Customer against the offending Customer for failure to adhere to its obligations under the provisions of this Schedule.

**PERFORMANCE-BASED RATEMAKING**

**APPLICABILITY**

This Performance-Based Ratemaking Mechanism (PBRM) is designed to encourage the utility to maximize its gas purchasing activities at minimum cost consistent with efficient operations and service reliability. Each plan year will begin July 1. The annual provision and filings herein will apply to this annual period. The PBRM will continue until it is either (a) terminated at the end of a plan year or by not less than 90 days notice by the Company to the Authority or (b) modified, amended or terminated by the Authority.

**OVERVIEW OF STRUCTURE**

The Performance-Based Ratemaking Mechanism establishes predefined monthly benchmark indexes to which the Company's commodity cost is compared.

**BENCHMARK INDEX**

Each month, Chattanooga Gas Company (Company / Chattanooga) will compare its actual commodity cost of gas to the appropriate benchmark amount. The benchmark gas cost will be computed by multiplying actual purchase quantities for the month, including quantities purchased for injection into storage, by the appropriate benchmark price index.

**Spot Market Purchases**

The monthly spot market benchmark is the "Index" price published in the first issue of the delivery month of *Inside FERC's Gas Market Report* in the table titled "Price of Spot Gas Delivered to Pipelines," denoted in the column labeled "Index" and the row for the applicable "Pricing Point."

**Swing Purchases**

For swing purchases, the benchmark "Index" price for gas delivered on any day upon which *Gas Daily* is published, is equal to the Gas Daily-Midpoint price for the immediately following day under the heading "Daily Price Survey." For gas delivered on Saturday, Sunday, or any other day upon which *Gas Daily* is not published, the price index is equal to the Daily-Midpoint for the nearest subsequent day published by *Gas Daily*.

**Long-term purchases**

For long term purchases, i.e., a term more than one month, the "Index" price published in the first issue of the delivery month of *Inside FERC's Gas Market Report* in the table titled "Price of Spot Gas Delivered to Pipelines" denoted in the column labeled "Index" and the row for the applicable "Pricing Point" will be adjusted for the Company's rolling three-year average premium paid to ensure long-term supply availability during peak periods.

**City Gate Purchases**

For city gate purchases where gas is delivered by the supplier to the local distribution company, the indexes will be adjusted for the avoided transportation costs that would have been paid if the upstream capacity were purchased versus the demand charges actually paid to the supplier.

**PERFORMANCE-BASED RATEMAKING (Continued)**

**PRUDENCE DETERMINATION**

If Chattanooga's total commodity gas cost for the plan year does not exceed the total benchmark amount by one percentage point (1%) for a plan year ending after June 30, 2000, Chattanooga's gas cost will be deemed prudent and the audit required by Tennessee Regulatory Authority's Administrative Rule 1220-4-7- 05 is waived. If during any month of the plan year, the Company's commodity gas cost exceeds the benchmark amount by greater than two percentage points (2%), the Company shall file a report with the Authority fully explaining why the cost exceeded the benchmark.

**FILING WITH THE AUTHORITY**

The Company will file an annual report not later than 60 days following the end of each plan year identifying the actual cost of gas purchased and the applicable index for each month of the plan year.

Unless the Authority provides written notification to the Company within 180 days of such reports, the annual filing shall be deemed in compliance with the provisions of this Service Schedule.

**PERIODIC INDEX REVISIONS**

Because of changes in the natural gas marketplace, the price indices used by Chattanooga and the composition of Chattanooga's purchased gas portfolio may change. The Company shall, within 30 days of identifying a change to a significant component of the mechanism, provide notice of such change to the Authority. Unless the Authority provides written notice to Chattanooga within 30 days of the Company's notice to the Authority, the price indices shall be deemed approved as proposed by the Company.

**CHATTANOOGA GAS COMPANY**

**2207 OLAN MILLS DRIVE**

**CHATTANOOGA, TENNESSEE 37421**

**TRA NO. 2**

**RULES AND REGULATIONS FOR THE COMPANY'S GAS SERVICE**

**IN**

**HAMILTON AND BRADLEY COUNTIES,  
TENNESSEECHATTANOOGA GAS COMPANY**

**SUMMARY OF TPSC NO.2 RULES AND REGULATIONS  
CHANGES**

**EFFECTIVE DATE: AUGUST 1, 2004**



APPLICABILITY

These rules and regulations are applicable to Customers served by the Chattanooga Gas Company (Company) within the Certificated areas in Bradley and Hamilton Counties

DEFINITIONS

As herein used

"Applicant"	means any person who has made application to Company for gas service
Authority	means the Tennessee Regulatory Authority
BTU	means British Thermal Unit measured at a pressure of 14.73 PSIA at 60 degrees Fahrenheit on a dry basis
Business Day	means any day from Monday through Friday inclusive, excluding any holiday observed by the Company
Citygate	means a point at which the facilities of an interstate pipeline company interconnect with the facilities of the Company
Commercial Service	applies to Customers engaged in selling, warehousing, or distributing a commodity, in some business activity or in a profession, or in some other form of economic or social activity (office, stores, clubs, hotels, etc ), and to service which does not directly come in one of the other classifications of service
Company	means Chattanooga Gas Company
Consumer or Customer	means an individual, firm, or organization who purchases service at one or location under one rate classification contract
Dekatherm (Dt or Dth)	means 10 Therms or one million Btus (1MMBtus)
Distribution Service	means the delivery of Natural Gas by and through the Intrastate facilities of the Company, regardless of the identity of the party who has title to the Natural Gas
Distribution System	means the gas pipes owned and operated by the Company for the distribution of gas for delivery to Customers up to but not beyond the point of delivery
Firm Customer	means a Customer who purchases a Gas Service on a Firm basis
Firm Service	means a type of Gas Service that ordinarily is not subject to interruption or curtailment.

DEFINITIONS (Continued)

Gas or Natural Gas	means any mixture of hydrocarbons or of hydrocarbons and noncombustible gases in a gaseous state, consisting predominantly of methane
Gas Day	means the period of 24 consecutive hours beginning at 10 00 a.m , Standard time
Gas Service	means any service offered in connection with the delivery or sale of Gas
Imbalance	mean the difference at any time, whether positive or negative, between the volumes of Gas received into a Pool by or on behalf of a Customer and the volumes of Gas delivered by the Company on behalf of such Customer
Industrial Service	applies to Customers engaged in a process which creates or changes raw or unfinished materials into another form or product (Factories, mills, machine shop, mines, oil wells, refineries, pumping plants, creameries, canning or packing plants, shipyards, etc , i e , in extractive, fabricating or processing activities )
Interruptible Customer	means a Customer who purchases a Gas Service on an Interruptible basis.
Interruptible Schedule	means each of the Company's Rate Schedules or contracts under which Gas Service is provided on an Interruptible basis
Interruptible	means a type of Gas Service that is subject to interruption or curtailment
LNG	means Liquefied Natural Gas
Main	means the gas pipe other than Service Line
Month	means the period beginning on the first Day of a calendar month and ending on the beginning of the first Day of the next succeeding calendar month
Person	means any corporation, whether public or private, company, individual, firm, partnership, or association
PGA Rider	means the Company's Purchased Gas Adjustment Rider
PSIA	means pounds per square inch absolute
Residence	means a parcel or tract of land upon which a residence, building, structure, or other facility containing a particular set of gas-consuming appliances is located
Residential Service	applies to Customers supplied for residential purposes on an individual basis in a single family dwelling or building, or in an individual flat or apartment in a multiple family dwelling or building or portion thereof occupied as the home, residence or sleeping place of one or more persons
SNG or Southern	means Southern Natural Gas Company
Tariff	means all Rate Schedules, Terms of Service, and Rules and Regulations approved by the Authority relative to Gas Service provided by the Company.
Tennessee Pipeline	means Tennessee Gas Pipeline Company
Therm	means 100,000 Btus

DEFINITIONS (Continued)

Point of Delivery	means the outgoing side of the meter(s) or regulator(s) installed and maintained by the Company for the purpose of measuring gas delivered to Customer
Service	means gas service
Special Contract	means a contract for Service on forms furnished by the Company
Service Stub	means gas pipe laid from main to Customer's property line.
Service Line	means the gas pipe laid from Customer's line to Point of Delivery

APPLICATION FOR SERVICE

Service will be rendered by the Company upon application by the Customer for service and the acceptance thereof by the Company

Company will make extensions of its distribution system pursuant to the provisions hereinafter set forth

RESIDENTIAL MAIN AND SERVICE EXTENSIONS

Service lines and distribution mains necessary to furnish permanent service to Applicants for Residential Service within established service areas of the Company will be constructed by the Company in accordance with the following provisions

A Definitions

- (1) Approach Main - main constructed outside the property boundaries of the development or premises of the Applicant for which gas service is requested
- (2) Project Main - main constructed within the property boundaries of the development or premises of the Applicant for which gas service is requested
- (3) Gas Consumption Bulletin - a bulletin showing the estimated annual consumption of various gas appliances by residential Customers as determined from time to time by the Company
- (4) Infill Potential - the estimated additional gas loads that will be served from the Approach Main at locations outside the development or premises for which gas service is requested

RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

- (5) Revenues - Revenues shall be computed for the estimated annual consumption at the current rates excluding gas cost, other rider and tracker revenues, and any taxes added to the Customer's bill

B General

The Company will construct, own, operate and maintain gas distribution mains generally along public streets, roads and highways which the Company has the legal right to occupy and, at the Company's election, on public lands and private property across which rights-of-way satisfactory to the Company may be obtained without cost to the Company

The Company will construct, own, operate and maintain a service line of suitable capacity from its distribution main to the curb or right-of-way line of a public street, highway, road or alley upon which the residential structure to be served faces and abuts at no cost to the Applicant. Additional facilities will be provided pursuant to the following provisions

C Extension of Main and Service

(1) Calculation of Allowable Investment

- a The allowable investment in metering and regulating equipment, main and service line to be made by the Company without contribution or payment by the Applicant shall not exceed the Estimated Annual Revenues from the extension divided by the Levelized Annual Carrying Charge Rate applicable to the investment
- b The Levelized Annual Carrying Charge Rate shall be calculated by using the weighted average cost of capital as determined in the Company's last rate proceeding adjusted for taxes and depreciation required to recover the Company's investment over the expected economic life of the investment as determined from time to time by the Company. These costs will be discounted at the cost of capital
- c The required investment in metering and regulating equipment shall be based on engineering cost estimates as determined by the Company
- d The cost per foot for service lines and main extensions will be based upon the system wide average unit cost per foot as determined by the Company from the actual installed cost of such service lines and mains for the latest three-year fiscal periods of the Company
- e Estimated Annual Revenues shall be based upon the usage of the appliance that the Applicant has committed contractually to install as shown in the applicable Gas Consumption Bulletin of the Company in Appendix A of the Rules and Regulations at the approved rates of the Company in effect when construction of the extension begins less certain direct expenses (meter reading, billing, etc.) and infrastructure expenses (right-of-way crossings, etc.) as approved from time to time

RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

- f To the extent that the extension required investment in Approach Main, Estimated Annual Revenues may also include Revenues associated with Infill Potential, as hereinafter defined, provided, however, that revenues associated with Infill Potential may not exceed fifty percent (50%) of Project Revenues
- g "Revenues Associated with Infill Potential" means revenues, adjusted for any additional costs, which, based upon analyses of the Company's extensions for residential service in comparable areas, can be expected within a five year period from the Approach Main in addition to Project Revenues
- h The economic life factor used in computing the Levelized Annual Carrying Charge Rate hereunder shall be 15 years where natural gas space heating is installed, 10 years where natural gas water heating is installed as the principal gas appliance and 5 years for any other equipment. The Company reserves the right to recognize any conditions that would make the use of a typical economic life factor imprudent

(2) Order of Application

- a The allowable investment shall be applied in the following order to the equipment and facilities required in the extension: metering and regulating equipment, service line, Project Main, and Approach Main
- b In the event that the allowable investment is not sufficient to cover the cost of the equipment and facilities required in the extension, the Applicant will be required to pay the excess costs, determined in accordance with the provision of subparagraph (1) above

(3) Limitations

No allowable investment will be made for auxiliary or incidental uses of gas. The Company shall not be required to provide any connection to the Company's system where such connection may have an adverse impact on existing Customers unless the Authority has prescribed a tariff provision designed to eliminate such adverse impact on existing Customers.

(4) Length and Location

- a The length of main required for a main extension or the length of service line will

RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

be considered as the distance along the shortest practical route, as determined by the Company, from the Company's nearest distribution main capable, in the opinion of the Company, of properly supplying the Applicant. Irrespective of the total allowable investment, the Company shall not be required to extend a main or service line a greater distance than necessary in the judgment of the Company to serve an Applicant.

- c. The service line shall be of the size and type required to supply the principal requirements of the premises served, and shall extend from the curb to the first reasonably acceptable meter location as determined by the Company.
- d. Company reserves the right to designate the locations and specifications for the main taps, service lines, curb cocks, meters and regulators and to determine the amount of space which must be left unobstructed for the installation and maintenance thereof. Applicant may request an alteration of such designation and, if consented to by the Company, the cost of such revised designation in excess of the cost of the original Company design shall be borne by the Applicant regardless of whether the length of service line laid as requested by Applicant comes within the allowable investment provided in this rule.

(5) Extensions Beyond the Free Length

a. Payment Provisions

Extensions of mains or service lines beyond the allowable investment will be made by the Company provided that the Applicant pays to the Company the excess cost of such main or service lines. Such payment may be made over 36 months provided that the Applicant executes an appropriate finance agreement with the Company. Interest on unpaid balances shall accrue from the date construction is completed at a rate equal to the then existing prime rate (as defined in the Money Rates Section of the Wall Street Journal) plus 3 percent. The interest rate shall be adjusted on the 1st day of April of each succeeding year to the then existing prime rate plus 3 percent.

b. Adjustment of Allowable Investment and Payments

- (i) A survey will be made by the Company within one year after service is commenced to a Customer at a particular residential unit and in any event within three years after the date of completion of the main extension to determine the appliances or equipment in use at the development or premises of the Applicant served by the extension.
- (ii) If, based upon the appliances or equipment found to be in use, there is a lesser allowable investment than that originally granted and a payment is

RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

required in addition to any prior payment by the Applicant, such additional payment shall be paid by the Applicant

- (iii) The Company may grant a reasonable extension of time for the Applicant to install the appliances or equipment originally agreed upon, provided that the failure to install such appliances or equipment was due to reasons beyond the control of the Applicant.

c. No Refund of Payments

There will be no refunds associated with any payments, contributions or advances hereunder

d One Service Line for a Single Premises

The Company will not install more than one service line to supply the premises of an individual Customer unless for the convenience of the Company or an Applicant requests an additional service line and, in the judgment of the Company, an unreasonable burden would be placed on the Applicant if the additional service line were not installed. When an additional service line is installed under these conditions at the Applicant's request, the Applicant shall pay for the entire length of said additional service line, meter and regulating equipment at the costs provided in subparagraph C (1) above.

e Relocation of Service

- (i) When in the judgment of the Company the relocation of a service line, including metering and regulating facilities, is necessary to maintain adequate service or for the operating convenience of the Company, the Company shall relocate the same at its expense.
- (ii) If relocation of a service line, including metering and regulating facilities, is for the convenience of the Applicant or the Customer, such relocation shall be performed by the Company at the expense of the Applicant or the Customer.

D Special Conditions

(1) Contracts

The Applicant will be required to execute a contract covering the terms under which the Company will install mains, services, metering and regulating equipment in accordance with the provisions of these Rules and Regulations. The contract will provide that the Applicant will install, commence using in a bona fide manner within six months after the date of the completion of the extension and continue to so use for

RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

a period of five years, those appliances and items on which the Company's allowable investment is based. Such contract will also provide that if the Applicant fails to take service or fails to install one or more of such appliances or items, the Company may calculate and bill the Applicant and the Applicant shall pay an amount according to the Company's residential main and service extension rules in effect at the time the extension was made as if service had been requested on the basis of the actual appliances and equipment installed and utilized. If the Applicant is a developer or builder, the Applicant will install all the appliances on which the extension was based within three years of completion of the total project or shall pay the Company in accordance with the provisions of subparagraph C (5) (b) above.

(2) Periodic Review

The Company will periodically determine the system wide average costs of construction of mains, services and metering and regulating equipment, and publish the average costs on April 1<sup>st</sup> of each year as Appendix A to this tariff and file those updates with the Tennessee Regulatory Authority with a proposed effective date of three months from the date of filing.

(3) Extension for Temporary Service

Extension for temporary service or for operations which in the Company's opinion are of a questionable permanence will not be made under this rule, but will be made in accordance with the rule pertaining to temporary service.

(4) Service From High Pressure Mains

Service shall be provided from a normal distribution facility of the Company. Company reserves the right, at its sole option, to refuse to extend facilities from any of its lines operating at pressures in excess of 125 pounds.

(5) Title to Facilities

Legal and equitable title to all mains installed by the Company upon which an advance, contribution, or other payment has been made, shall be and remain in the Company, and the Company shall have the right without the consent of, or any refund to, any party who made such advance, contribution, or other payment.

a To extend the gas main or connect additional gas mains to any part of it

b To serve new additional Customers at any time through service connections attached to such main or to extended or connected gas mains



RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

(6) Exceptional Cases

In unusual circumstances when the application of this rule appears impractical or unjust to either party as a result of circumstances that result in the actual cost of constructing the facilities being materially different than the average costs specified in (C) above, actual costs may be used to determine the required Customer contribution. If application of this rule appears impractical or unjust to either party for other reasons, the Company or the Applicant may refer the matter to the Tennessee Regulatory Authority for special ruling thereon prior to commencing construction.

E Filings with the Authority

Any filings required to be made with the Authority as a result of this rule shall be filed with the Authority on April 1 of each year. In the event the accounting records necessary to make the required filings are not available to the Company prior to the April 1 filing deadline, the Company shall receive an additional 15 days to file upon filing a written extension request with the Authority prior to April 1.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS

Service lines and distribution mains necessary to furnish permanent service to Applicants for Non-Residential Service within established service areas of the Company will be constructed by the Company in accordance with the following provisions:

A General

The Company will construct, own, operate and maintain gas distribution mains generally along public streets, roads and highways which the Company has the legal right to occupy and, at the Company's election, on public lands and private property across which rights-of-way satisfactory to the Company may be obtained without cost to the Company.

The Company will construct, own, operate and maintain a service line of suitable capacity from its distribution main to the premises of the Applicant. All such main and service facilities will be provided pursuant to the following provisions:

B Extension of Main and Service

(1) Calculation of Allowable Investment

- a The allowable investment in metering and regulating equipment, main and service line to be made by the Company without contribution or payment by the Applicant shall not exceed the Estimated Annual Revenues from the extension divided by the Levelized Annual Carrying Charge Rate applicable to the Investment.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

- b The Levelized Annual Carrying Charge Rate shall be calculated by using the weighted average cost of capital as determined in the Company's last rate proceeding adjusted for taxes and depreciation required to recover the Company's investment over the expected economic life of such investment as determined from time to time by the Company. These costs will be discounted at the Company's cost of capital.
  - c The required investment in metering and regulating equipment shall be based upon engineering cost estimates as determined by the Company.
  - d The cost per foot for service lines and main extensions will be based upon the system wide average unit cost per foot as determined by the Company from the actual installed cost of such service lines and mains for the latest three-year fiscal period of the Company.
  - e The economic life factor used in computing the Levelized Annual Carrying Charge Rate hereunder shall be 15 years for firm service to apartments, office buildings, churches and schools; and ten years to any other firm service including mobile home parks. For interruptible service the economic life factor shall be five years. The Company reserves the right to adjust the economic life factors to recognize any conditions that would make the use of a typical economic life factor imprudent. The economic life of industrial service shall not be greater than the length of gas service contract in years.
  - f Estimated Annual Revenues shall be based upon the contractual commitment of the Customer for annual consumption at the approved rates of the Company in effect when construction of the extension begins less certain direct expenses (meter reading, billing, etc.) and infrastructure expenses (right-of-way crossings, etc.) as approved from time to time.
- (2) Order of Application
- a The allowable investment shall be applied in the following order to the equipment and facilities required in the extension: metering and regulating equipment, service line, and main.
  - b In the event that the allowable investment is not sufficient to cover the cost of the equipment and facilities required in the extension, the Applicant will be required to pay the excess costs, determined in accordance with the provision of subparagraph (1) above.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

(3) Limitations

No allowable investment will be made for auxiliary or incidental uses of gas. The Company shall not be required to provide any connection to the Company's system where such connection may have an adverse impact on existing Customers unless the Authority has prescribed a tariff provision designed to eliminate such adverse impact on existing Customers

(4) Length and Location

- a The length of main required for a main extension or the length of service line will be considered as the distance along the shortest practical route, as determined by the Company, from the Company's nearest distribution main, capable in the opinion of the Company of properly supplying the Applicant. Irrespective of the total allowable investment, the Company shall not be required to extend a main or service line a greater distance than necessary in the judgment of the Company to serve an Applicant
- b The service line shall be of the size and type required to supply the principal requirements of the premises served, and shall extend from the Company's main to the first reasonable acceptable meter location as determined by the Company
- c Company reserves the right to designate the locations and specifications for the main taps, service lines, curb cocks, meters and regulators and to determine the amount of space which must be left unobstructed for the installation and maintenance thereof. Applicant may request an alteration of such designation and, if consented to by the Company, the cost of such revised designation in excess of the cost of the original Company design shall be borne by the Applicant regardless of whether the length of service line laid as requested by Applicant comes within the allowable investment provided in this rule. Further, the Company may require Applicant to provide both power and phone lines to the location of such metering facilities

(5) Extensions Beyond the Free Length

a Payment Provisions

Extensions of mains or service lines beyond the allowable investment will be made by the Company provided that the Applicant pays to the Company the excess cost of such main or service lines

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

- b      Adjustment of Allowable Investment and Payments
- (i)      Within one year after service is commenced to a Customer, the Company will determine if the annual usage determined in accordance with Section B (I) (e) above has been met
- (ii)      If, based upon the above determination, there is a lesser allowable investment than that originally granted, and a payment is required in addition to the prior payment by the Applicant, if any, such additional shall be paid by the Applicant
- (iii)      The Company may grant a reasonable extension of time for the Applicant to raise annual consumption to the level agreed upon, provided that the failure to reach that level of consumption was due to reasons beyond the control of the Applicant
- c      No Refunds of Payments
- There will be no refunds associated with any payments, contributions or advances hereunder
- d      One Service Line for a Single Premise
- The Company will not install more than one service line to supply the premises of an individual Customer unless for the convenience of the Company or an Applicant requests an additional service line and, in the judgment of the Company, an unreasonable burden would be placed on the Applicant if the additional service line were not installed. When an additional service line is installed under these conditions at the Applicant's request, the Applicant shall pay for the entire length of said additional service line, meter and regulating equipment at the costs provided in subparagraph B (1) above.
- e      Relocation of Service
- (i)      When in the judgment of the Company the relocation of a service line, including metering and regulating facilities, is necessary to maintain adequate service or for the operating convenience of the Company, the Company shall relocate the same at its expense
- (ii)      If relocation of a service line, including metering and regulating facilities, is for the convenience of the Applicant or the Customer, such relocation shall be performed by the Company at the expense of the Applicant or the Customer.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

C Special Conditions

(1) Contracts

The Applicant will be required to execute a contract covering the terms under which the Company will install mains, services, metering and regulating equipment in accordance with the provisions of these Rules and Regulations. The contract will provide that the Applicant will install, commence using in a bona fide manner within six months after the date of the completion of the extension and continue to so use for a period of five years, those appliances and items on which the Company's allowable investment is based. Such contract will also provide that if the Applicant fails to take service or fails to consume sufficient gas to produce the Estimated Annual Revenues, the Company may calculate and bill the Applicant and the Applicant shall pay an amount according to the Company's non-residential main and service extension rules in effect at the time the extension was made as if service had been requested on the basis of the actual equipment installed and utilized.

(2) Periodic Review

The Company will periodically determine the system wide average costs of construction of mains, services, and metering and regulating equipment, and publish the average costs on April 1st of each year as Appendix A to this tariff and file those updates with the Tennessee Regulatory Authority with a proposed effective date of three months from the date of filing.

(3) Extension for Temporary Service

Extension for temporary service or for operations which in the Company's opinion are of a questionable permanence will not be made under this rule, but will be made in accordance with the rule pertaining to temporary service.

(4) Service From High Pressure Mains

Service shall be provided from a normal distribution facility of the Company. Company reserves the right, at its sole option, to refuse to extend facilities from any of its lines operating at pressures in excess of 125 pounds.

(5) Title to Facilities

Legal and equitable title to all mains installed by the Company upon which an advance, contribution, or other payment has been made, shall be and remain in the Company, and the Company shall have the right without the consent of, or any refund to, any party who made such advance, contribution, or other payment.

NON-RESIDENTIAL MAIN AND SERVICE EXTENSIONS - (Continued)

- a To extend the gas main or connect additional gas mains to any part of it
- b To serve new additional Customers at any time through service connections attached to such main or to extended or connected gas mains.

(6) Exceptional Cases

In unusual circumstances when the application of this rule appears impractical or unjust to either party as a result of circumstances that result in the actual cost of constructing the facilities being materially different than the average costs specified in (B) above, actual costs may be used to determine the required Customer contribution. If application of this rule appears impractical or unjust to either party for other reasons, the Company or the Applicant may refer the matter to the Tennessee Regulatory Authority for special ruling thereon prior to commencing construction.

D Filings with the Authority

Any filings required to be made with the Authority as a result of this rule shall be filed with the Authority on April 1 of each year. In the event the accounting records necessary to make the required filings are not available to the Company prior to the April 1 filing deadline, the Company shall receive an additional 15 days to file upon filing a written extension request with the Authority prior to April 1.

SERVICE LINE

Service lines from the main to the meter will be laid by the Company, and will at all times remain subject to the control of the Company. It is not contemplated that in running service lines the Company will put risers in buildings when meters are set above the first floor; in cases of this kind the Company will run the service line to the ground floor or to the basement, but all expenses through and beyond the first floor foundation wall shall be borne by the Customer. Service lines will be kept in repair by the Company at its own expense; but any alterations made necessary, such as changing of location, may be done at the Customer's expense. The Company does not in any case hold itself responsible for a stoppage, from frost or other cause, of the service lines or house lines. The Company will employ all reasonable means of clearing the lines to the meter, when stopped from any cause. All lines beyond or leading from the meter must be cleared at the Customer's expense.

### APPARATUS-EASEMENTS

Customer's Lines All house lines and equipment except the Company's meters and accessories on the Customer's side of the point of delivery, necessary to utilize service furnished by the Company, must be installed and maintained by and at the expense of the Customer. The Customer's lines shall terminate at the point of delivery, in a manner satisfactory to the Company, for connection with the Company's lines or apparatus.

Company Property All service lines, apparatus, instruments, meters and materials supplied at the expense of the Company shall remain its property, and any other property installed at the expense of the Company, shall belong to the Company.

Inspection by Company The Company is willing to assist the Customer by advice as to the installation of the Customer's apparatus and to examine the Customer's installation, and may refuse to make connection or to commence or continue service whenever such installation is not in proper condition, but no inspection by the Company, nor any failure by it to object to the Customer's installation, shall render the Company in any way liable for any damage or injury resulting from any defective installation made by the Customer.

Right of Way The Customer shall make or procure satisfactory conveyance to the Company of right of way for the Company's lines and apparatus across and upon the property owned and controlled by the Customer, necessary or incidental to the furnishing of service.

Installation For the purpose of determining the amount of gas used, a meter or meters shall be installed and maintained by the Company upon the Customer's premises, and, except as to outside locations heretofore or hereafter approved by the Company, the Customer shall provide free of expense to the Company, near the service entrance, a clean, dry, safe place for the meter and any necessary appurtenant device, which may be furnished by the Company. Where several buildings are supplied on one property, a centralized meter location may be required.

Notice to Discontinue Notice by Customer to discontinue the supply of gas must be given the Company at least 24 hours in advance. The Customer will be held responsible for all gas consumed until such notice is given, including a reasonable time for securing the final reading of the meter.

### TESTS AND ADJUSTMENTS

The Company, at any time upon the request of the Customers, will test the meter of such Customer within five days after receipt of such request, provided the Customer will accept the result of such test as a basis for the settlement of the Customer's account. If any such test shall show the average error of the meter to be less than 2%, the Customer shall pay the expense of the test, except that where the meter has not been tested at the request of the Customer within five (5) year period immediately preceding such request, the test will be made without charge to the Customer. The Company may at any time at its own expense test any of its meters. If on test of a Customer's meter, either by the Company or

TESTS AND ADJUSTMENTS (Continued)

by the Authority, such meter shall be found to have a percentage of error greater than 2%, the following provisions for the adjustment of bill shall be observed

Fast Meters When a meter is found to be fast in excess of 2%, the Company shall refund to the Customer an amount equal to the excess charged for the gas incorrectly metered. The period over which the correction is to be made shall be the time elapsed since the last previous test, provided, however, the period shall not exceed six (6) months. No part of the minimum service charge shall be refunded.

Slow Meters When a meter is found to be slow in excess of 2%, the Company may make a charge to the Customer for the gas incorrectly metered. The period over which the correction is to be computed shall be the time elapsed since the last previous test, provided, however, the period shall not exceed six (6) months.

Failure to Register If a meter is found not to register for any period, the Company will estimate and charge for the gas used by averaging the amounts registered over similar periods and under similar conditions preceding or subsequent thereto, or over corresponding periods in previous years.

Company's Rights The properly authorized employees of the Company shall at all times have the right of access to the premises into which gas has been introduced, for the purpose of examining the general service or to read, inspect, test, repair, replace or remove its meter or other equipment, or for such other purposes as may be necessary for the protection of the Company. In case of any willful, intentional, or unnecessary injury to or interference with the meter or any connection made to the house lines or services, the meter at the option of the Company may be removed, the service line cut off, and service discontinued.

CUSTOMER SECURITY DEPOSITS

Prior to rendering service, deposits will be required from those residential Customers whose credit history dictates that a deposit is needed. All other residential Customers will not be required to provide a deposit.

Prior to rendering service, payment security will be required of all commercial and industrial Customers. Commercial and industrial Customers shall be given the option of either providing an adequate Cash Deposit, Letter of Credit, Indemnity Bond or a Letter of Guarantee from a financially acceptable parent company.

Any deposit which is required to be provided by a Customer shall only be refunded upon the Customer's discontinuation of his service.

The Company may require a deposit not more in amount than the maximum charge for two (2) consecutive billing periods.



CUSTOMER SECURITY DEPOSITS (Continued)

Interest shall accrue at the rate of 6% Per Annum. No interest shall accrue on deposits after service has been discontinued

BILLS, PAYMENTS, NON-PAYMENTS

Payment of bills for service rendered must be received by the due date as stated on the Customer's bill which shall be approximately twenty-one (21) days from the date billed for cycle billed Customers and sixteen (16) days from the date billed for end-of-month Multi-Family Housing Service and Large Volume Commercial and Industrial Customers The current month's bill for gas service shall be subject to a 5% late payment charge if payment is not received timely

If the Customer shall fail to pay bill after it has become delinquent, the Company may, seven (7) days after notice to the Customer, discontinue service and apply any deposit made by the Customer in liquidation of such bill Whenever the Company has issued a service suspension notice to a Customer for non-payment of a gas bill, the Company may make a charge of \$50.00 for the re-connection of service, and will require a deposit

Gas Service may be terminated

(1) By the Customer

Unless otherwise provided, gas service may be terminated at any time by giving notice to Company, provided, however, anything contained in the provisions of the Company's TPSC Gas Tariff No 1, and/or any Agreement for Sale of Gas or Special Contract to the contrary notwithstanding, a non-residential Customer shall have the right and privilege which he may exercise any time by giving written notice to Company to terminate gas service if such Customer shall have discontinued his operations and dismantled his plant, and such cancellation shall relieve Customer from the obligation to pay such minimum charge, if any, which might have become payable had such gas service not been terminated

(2) By the Company

Service may be refused or discontinued for any of the reasons listed below Unless otherwise stated, the Company shall comply with the notice requirements before service is discontinued However, no service shall be discontinued on the day or a date preceding a day or days on which the services of the Company are not available to the general public for the purpose of reconnecting the discontinued service, except as provided in (a), (b), (c) and (d) below

- a Without notice in the event of a condition determined by the Company to be hazardous
- b Without notice in the event of Customer use of equipment in such a manner as to adversely affect the Company's equipment or the Company's service to others

BILLS, PAYMENTS, NON-PAYMENTS (Continued)

- c Without notice if there is evidence of tampering with the equipment furnished and owned by the Company
- d Without notice if there is evidence of unauthorized use
- e For violation of and/or non-compliance with the Company's rules on file with and approved by the Authority
- f (For failure of the Customer to fulfill his contractual obligations for service and/or facilities subject to regulations by the Authority
- g For failure of the Customer to permit the Company reasonable access to its equipment
- h For non-payment of delinquent account
- i For failure of the Customer to provide the Company with deposit as authorized by Rule 1200-4-5 14

Gas service to any gas Customer may not be terminated by the Company without reasonable prior notice where required and the Customer being given reasonable opportunity to dispute the reasons for such termination

- (3) It shall be unlawful for any person to obtain or attempt to obtain by use of any fraudulent scheme, device, means or method gas service, with intent to avoid payment of the lawful price, charge or toll therefor, or for any person to cause another to avoid such payment for such service, or for any person to assist another in avoiding payment for gas service, either through the making of multiple applications for service at one address, or otherwise
- (4) Termination of gas service by either Customer or Company shall not relieve Customer from the obligation to pay Company for services rendered prior to the effective date of such termination

MISCELLANEOUS REGULATIONS

The Customer Agrees

- (1) To be responsible for all damages to, or loss of, the Company's property located upon his premises, unless occasioned by fire or by the Company's negligence
- (2) To use gas supplied through Company's meter only, and if such meter is found defective by the Company, the Company may repair or replace same
- (3) It is understood that the Company shall be under no duty to inspect, repair or maintain the service of other lines, connections, equipment or appliances located on the premises of the Customer
- (4) Company shall have the right to terminate gas service after reasonable notice has been given for any Customer who may be in arrears for a period of seventeen (17) days or longer in paying for gas furnished and/or used by Customer at Customer's present or subsequent address, it being understood hereby that said seventeen (17) day period commences on date the bill as above defined was rendered
- (5) There is a charge for seasonal turn-ons and heating light-up service of \$50 00
- (6) Customers may elect seasonal suspension of service instead of seasonal disconnection. If a Customer elects seasonal suspension, the account will remain active and the meter will continue to be read. No bill will be issued until the monthly consumption exceeds 3 Therms per month. The first month that the consumption exceeds 3 Therms the seasonal suspension will be terminated and the Customer will be billed the Monthly Customer Charge for that month, the gas consumed during that month, and the gas consumed during for each month during the seasonal suspension period. The Customer will not be billed the seasonal turn-on and heating light-up service charge.
- (7) There is a \$50 00 charge for reconnection of service where service has been suspended for non-payment of a gas bill
- (8) Service Establishment Charges
  - A For establishing an account for gas service to a Customer at a particular premises
    - (i) where there is an existing meter set at such premises installed to serve an occupant of the premises \$15 00
    - (ii) when there is no existing meter set at such premises, or where an existing meter set at such premises has been used only for temporary service to a builder, contractor or developer prior to occupancy of the premises \$25 00

MISCELLANEOUS REGULATIONS (Continued)

- B The above charges do not apply to restorations of service subject to paragraph (5) or (7) above, nor to temporary service to a builder, contractor or developer prior to occupancy of the premises, nor to a rental unit subject to a contract with the landlord providing that gas service shall continue during periods when the unit is not occupied by a tenant and that the landlord shall be responsible for the payment of bills for gas service until an account is established in the name of a new tenant.
- (9) As a convenience to the Customer, the Company may at the Customer's option, receive payment through a third party service provider that processes payment by telephone. The third party service provider may collect directly from the Customer a separate charge for processing the payment.
- (10) If the Customer requests service as stated in (5), (7), and (8) above at times other than the regular office hours of the Company the above stated service charges shall be at one and one-half (1 1/2) times the above stated regular rate.
- (11) There is a \$20.00 service charge for Customer checks returned to the Company by the banks because of "Insufficient Funds".
- (12) Notwithstanding any other provisions of these rules, the Company shall postpone the physical termination of gas service to a residential Customer for a period of thirty (30) days in the event a physician, public health officer, or social service official certifies in writing that discontinuation of the service will aggravate an existing medical emergency of the Customer or other permanent resident of the premises where service is rendered. During the thirty (30) day extension the Customer or other permanent resident of the premises where service is rendered shall be referred to social service agencies for investigation, confirmation of need and guarantee of payment. The Company shall supply Customers with names of agencies providing assistance.
- (13) All Customers shall be provided with the option of a Third Party Notification Service and shall be notified annually by the Company of its availability. The Third Party Notification Service will provide any Customer with the opportunity to designate a Third Party who will receive a duplicate of any termination notice.
- (14) Company shall increase the present level of Contributions-In-Aid-of-Construction and Customer Advances-for-Construction by 33% to implement the effect of the Tax Reform Act of 1986.
- (15) Company shall have the right to make other or additional rules and regulations at any time, and the furnishing of gas hereunder shall not constitute a waiver of any prior or present claim or right held by Company against Customer.

POLICY ON SERVICE CHARGES

The general types of service which the Company shall provide on a charge or no-charge basis are listed below but are not necessarily limited to the following

I CHARGE SERVICE

- 1 Cleaning of gas lights and gas grills
- 2 Replacement of air filters furnished by Customer
- 3 Disconnecting and reconnecting ranges
- 4 Pumping and pressurizing air conditioners
- 5 Cleaning pilots and/or burners
- 6 Seasonal turn-ons and heating light-up service
- 7 All service orders where parts are installed
- 8 Replacement of mantles and glass for gas lights
- 9 Sending collector to Customer's premises to collect past due gas bill to avoid turn-off of service for non-payment
- 9 Reconnection of service where service has been suspended for non-payment of a gas bill
- 10 Service Establishment Charges

II NO CHARGE SERVICE

- 1 Meter Orders
  - a Remove
  - b Change (does not include relocation of meters at Customer's request)
  - c Turn-off
- 2 Safety Inspections (new Customer and/or new equipment)
- 3 Leak Investigation
- 4 High-bill Investigations
- 5 Confirmation of meter reads
- 6 Gas-air adjustments (where no cleaning is required)
- 7 Any trouble call resulting from low pressure caused by Company's distribution system
- 8 Relighting appliances after interruption of gas due to Company convenience (construction, etc )

CHATTANOOGA GAS COMPANY  
SUMMARY OF PROPOSED RATE CHANGES AND RATES SUBJECT TO REFUND

CURRENT			PROPOSED		PROPOSED - AS FILED		PROPOSED - PREFERRED		RATES SUBJECT TO REFUND	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
OTHER CHARGES			Current Rate	Unit of Measure						
Turn On Charge	\$15.00	Per Occurrence		Turn On Charge	\$15.00	Per Occurrence		\$15.00	Per Occurrence	
Meter Set Charge	\$25.00	Per Occurrence		Meter Set Charge	\$25.00	Per Occurrence		\$25.00	Per Occurrence	
Returned Check Charge	\$20.00	Per Occurrence		Returned Check Charge	\$20.00	Per Occurrence		\$20.00	Per Occurrence	
Reconnect Charge	\$30.00	Per Occurrence		Reconnect Charge	\$50.00	Per Occurrence		\$50.00	Per Occurrence	
Seasonal Reconnect Charge	\$37.50	Per Occurrence		Seasonal Reconnect Charge	\$50.00	Per Occurrence		\$50.00	Per Occurrence	
General Service Classes			General Service Classes							
Residential			Residential							
Customer Charge	\$7.50	Per Bill		Customer Charge	\$14.00	Per Bill		\$14.00	Per Bill	
Winter	\$7.50	Per Bill		Winter	\$7.50	Per Bill		\$7.50	Per Bill	
Summer				Summer						
Commodity Charge			Commodity Charge							
Winter Block 1 (first 25 Ccfs)	\$0.2900	Per Ccf		Winter Block 1 (first 50 Therms)	\$0.2472	Per Therm		\$0.2033	Per Therm	
Winter Block 2 (next 25 Ccfs)	\$0.2000	Per Ccf		Winter Block 2 (over 50 Therms)	\$0.1500	Per Therm		\$0.1500	Per Therm	
Winter Block 3 (over 50 Ccfs)	\$0.1750	Per Ccf								
Summer Block 1 (first 25 Ccfs)	\$0.2100	Per Ccf		Summer Block 2 (first 50 Therms)	\$0.2472	Per Therm		\$0.2033	Per Therm	
Summer Block 2 (next 25 Ccfs)	\$0.1500	Per Ccf		Summer Block 3 (over 50 Therms)	\$0.1500	Per Therm		\$0.1500	Per Therm	
Summer Block 3 (over 50 Ccfs)	\$0.0450	Per Ccf								
Multi-Family Housing (R-4)			Multi-Family Housing (R-4)							
Customer Charge	\$6.00	Per Unit		Customer Charge	\$6.00	Per Unit		\$6.00	Per Unit	
Winter	\$6.00	Per Unit		Winter	\$6.00	Per Unit		\$6.00	Per Unit	
Summer				Summer						
Commodity Charge			Commodity Charge							
Winter Ccfs	\$0.1800	Per Ccf		Winter Therms	\$0.2183	Per Therm		\$0.1967	Per Therm	
Summer Ccfs	\$0.1600	Per Ccf		Summer Therms	\$0.2183	Per Therm		\$0.1967	Per Therm	
Commercial			Commercial							
Customer Charge	\$20.00	Per Bill		Customer Charge	\$30.00	Per Bill		\$30.00	Per Bill	
Winter	\$15.00	Per Bill		Winter	\$20.00	Per Bill		\$20.00	Per Bill	
Summer				Summer						
Commodity Charge			Commodity Charge							
Winter Block 1 (first 3,000 Ccfs)	\$0.2750	Per Ccf		Winter Block 1 (first 5,000 Therms)	\$0.2932	Per Therm		\$0.2671	Per Therm	
Winter Block 2 (next 2,000 Ccfs)	\$0.2510	Per Ccf		Winter Block 2 (over 5,000 Therms)	\$0.1500	Per Therm		\$0.1500	Per Therm	
Winter Block 3 (next 10,000 Ccfs)	\$0.2445	Per Ccf								
Winter Block 4 (over 15,000 Ccfs)	\$0.1265	Per Ccf								
Summer Block 1 (first 3,000 Ccfs)	\$0.2159	Per Ccf		Summer Block 1 (first 5,000 Therms)	\$0.2932	Per Therm		\$0.2671	Per Therm	
Summer Block 2 (next 2,000 Ccfs)	\$0.1714	Per Ccf		Summer Block 2 (over 5,000 Therms)	\$0.1500	Per Therm		\$0.1500	Per Therm	
Summer Block 3 (next 10,000 Ccfs)	\$0.1598	Per Ccf								
Summer Block 4 (over 15,000 Ccfs)	\$0.1265	Per Ccf								

CHATTANOOGA GAS COMPANY  
USED RATE CHANGES AND RATES

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
	CURRENT			PROPOSED						
					PROPOSED - AS FILED			PROPOSED - PREFERRED		RATES SUBJECT TO REFUND
					Proposed Rate	Unit of Measure	Proposed Rate	Unit of Measure	Rate	Unit of Measure
INDUSTRIAL CLASSES										
11/72 Industrial				11/72 Industrial						
Customer Charge		\$300.00	Per Bill	Customer Charge	\$300.00	Per Bill	\$300.00	Per Bill	\$300.00	Per Bill
Demand Charge		\$3.00	Per Mct	Demand Charge	\$3.00	Per Dekatherm	\$3.00	Per Dekatherm	\$3.00	Per Dekatherm
Commodity Charge										
Block 1 (first 1,500 Mcts)		\$0.8888	Per Mct	Block 1 (first 1,500 Dis)	\$1.0263	Per Dekatherm	\$0.9543	Per Dekatherm	\$1.0044	Per Dekatherm
Block 2 (next 2,500 Mcts)		\$0.7598	Per Mct	Block 2 (next 2,500 Dis)	\$0.8773	Per Dekatherm	\$0.8158	Per Dekatherm	\$0.8586	Per Dekatherm
Block 3 (next 11,000 Mcts)		\$0.4312	Per Mct	Block 3 (next 11,000 Dis)	\$0.4979	Per Dekatherm	\$0.4630	Per Dekatherm	\$0.4873	Per Dekatherm
Block 4 (over 15,000 Mcts)		\$0.2650	Per Mct	Block 4 (over 15,000 Dis)	\$0.3060	Per Dekatherm	\$0.2845	Per Dekatherm	\$0.2995	Per Dekatherm
L1/T1 Industrial										
Customer Charge		\$300.00	Per Bill	Customer Charge	\$300.00	Per Bill	\$300.00	Per Bill	\$300.00	Per Bill
Commodity Charge										
Block 1 (first 1,500 Mcts)		\$0.8888	Per Mct	Block 1 (first 1,500 Dis)	\$1.0263	Per Dekatherm	\$0.9543	Per Dekatherm	\$1.0044	Per Dekatherm
Block 2 (next 2,500 Mcts)		\$0.7598	Per Mct	Block 2 (next 2,500 Dis)	\$0.8773	Per Dekatherm	\$0.8158	Per Dekatherm	\$0.8586	Per Dekatherm
Block 3 (next 11,000 Mcts)		\$0.4312	Per Mct	Block 3 (next 11,000 Dis)	\$0.4979	Per Dekatherm	\$0.4630	Per Dekatherm	\$0.4873	Per Dekatherm
Block 4 (over 15,000 Mcts)		\$0.2650	Per Mct	Block 4 (over 15,000 Dis)	\$0.3060	Per Dekatherm	\$0.2845	Per Dekatherm	\$0.2995	Per Dekatherm
SS-1 Industrial										
Customer Charge		\$300.00	Per Bill	Customer Charge	\$300.00	Per Bill	\$300.00	Per Bill	\$300.00	Per Bill
Commodity Charge										
Block 1 (first 1,500 Mcts)		\$0.8888	Per Mct	Block 1 (first 1,500 Dis)	\$1.0263	Per Dekatherm	\$0.9543	Per Dekatherm	\$1.0044	Per Dekatherm
Block 2 (next 2,500 Mcts)		\$0.7598	Per Mct	Block 2 (next 2,500 Dis)	\$0.8773	Per Dekatherm	\$0.8158	Per Dekatherm	\$0.8586	Per Dekatherm
Block 3 (next 11,000 Mcts)		\$0.4312	Per Mct	Block 3 (next 11,000 Dis)	\$0.4979	Per Dekatherm	\$0.4630	Per Dekatherm	\$0.4873	Per Dekatherm
Block 4 (over 15,000 Mcts)		\$0.2650	Per Mct	Block 4 (over 15,000 Dis)	\$0.3060	Per Dekatherm	\$0.2845	Per Dekatherm	\$0.2995	Per Dekatherm
Special Contract Industrial										
Customer Charge		\$3,500.00	Per Bill	Customer Charge	\$3,500.00	Per Bill	\$3,500.00	Per Bill	\$3,500.00	Per Bill
Commodity Charge										
Block 1 (first 1,500 Mcts)		\$0.8888	Per Mct	Block 1 (first 1,500 Dis)	\$1.0263	Per Dekatherm	\$0.9543	Per Dekatherm	\$1.0044	Per Dekatherm
Block 2 (next 2,500 Mcts)		\$0.7598	Per Mct	Block 2 (next 2,500 Dis)	\$0.8773	Per Dekatherm	\$0.8158	Per Dekatherm	\$0.8586	Per Dekatherm
Block 3 (next 11,000 Mcts)		\$0.4312	Per Mct	Block 3 (next 11,000 Dis)	\$0.4979	Per Dekatherm	\$0.4630	Per Dekatherm	\$0.4873	Per Dekatherm
Block 4 (over 15,000 Mcts)		\$0.2650	Per Mct	Block 4 (over 15,000 Dis)	\$0.3060	Per Dekatherm	\$0.2845	Per Dekatherm	\$0.2995	Per Dekatherm
Commodity Charge										
Block 1 (first 1,500 Mcts)		\$0.0400	Per Mct	Block 1 (first 1,500 Mcts)	\$0.0400	Per Mct	\$0.0400	Per Mct	\$0.0400	Per Mct
Block 2 (next 2,500 Mcts)		\$0.0400	Per Mct	Block 2 (next 2,500 Mcts)	\$0.0400	Per Mct	\$0.0400	Per Mct	\$0.0400	Per Mct
Block 3 (next 11,000 Mcts)		\$0.0400	Per Mct	Block 3 (next 11,000 Mcts)	\$0.0400	Per Mct	\$0.0400	Per Mct	\$0.0400	Per Mct
Block 4 (over 15,000 Mcts)		\$0.0400	Per Mct	Block 4 (over 15,000 Mcts)	\$0.0400	Per Mct	\$0.0400	Per Mct	\$0.0400	Per Mct

CHATTANOOGA GAS COMPANY  
REDETERMINATION OF RATES SUBJECT TO REFUND

Proposed Increase in Base Revenue Requirement as Filed	\$4,560,699
Less Bad Debt Expense Associated With Gas Costs	(\$640,000)
Proposed Increase in Base Revenue Requirement	<u>\$3,920,699</u>

	[1]	[2]	[3]		[4]	[5]	[6]
	CURRENT				RATES SUBJECT TO REFUND		
	Units	Rate	Base Revenue		Units	Rate	Base Revenue
OTHER REVENUE				OTHER REVENUE			
# Turn On	8,525	\$15 00	\$127,875	# Turn On	8,525	\$15 00	\$127,875
# Meter Set	2,044	\$25 00	\$51,100	# Meter Set	2,044	\$25 00	\$51,100
# Returned Checks	794	\$20 00	\$15,880	# Returned Checks	794	\$20 00	\$15,880
# Reconnects	2,715	\$30 00	\$81,450	# Reconnects	2,715	\$50 00	\$135,750
# Seasonal Reconnects	328	\$37 50	\$12,300	# Seasonal Reconnects	328	\$50 00	\$16,400
Late Payment			\$577,099	Late Payment			\$603,693
Damage Billing			\$93,436	Damage Billing			\$93,436
Jobbing			\$14,108	Jobbing			\$14,108
Total Other Revenue			\$973,248	Total Other Revenue			\$1,058,242
FIRM BASE REVENUE				FIRM BASE REVENUE			
Residential				Residential			
Winter Bills	315,838	\$7 50	\$2,368,785	Winter Bills	315,838	\$14 00	\$4,421,733
Summer Bills	305,761	\$7 50	\$2,293,208	Summer Bills	305,761	\$7 50	\$2,293,208
Winter Ccfs Step 1	8,538,770	\$0 2900	\$2,476,243	Winter therms Step 1	8,687,686	\$0 2338	\$2,031,181
Winter Ccfs Step 2	7,231,182	\$0 2000	\$1,446,236	Winter therms Step 2	7,357,294	\$0 2338	\$1,720,135
Winter Ccfs Step 3	19,839,619	\$0 1750	\$3,471,933	Winter therms Step 3	20,185,621	\$0 1500	\$3,027,843
Summer Ccfs Step 1	4,557,155	\$0 2100	\$957,003	Summer therms Step 1	4,636,632	\$0 2338	\$1,084,045
Summer Ccfs Step 2	873,695	\$0 1500	\$131,054	Summer therms Step 2	888,933	\$0 2338	\$207,833
Summer Ccfs Step 3	864,857	\$0 0450	\$38,919	Summer therms Step 3	879,940	\$0 1500	\$131,991
Total Residential			\$13,183,382	Total Residential			\$14,918,538
Multi-Family Housing (R-4)				Multi-Family Housing (R-4)			
Winter Units Bills	806	\$6 00	\$4,836	Winter Units Bills		\$6 00	\$4,836
Summer Units Bills	799	\$6 00	\$4,794	Summer Units Bills		\$6 00	\$4,794
Winter Ccfs	55,820	\$0 1800	\$10,048	Winter therms	56,794	\$0 2117	\$12,023
Summer Ccfs	17,814	\$0 1600	\$2,850	Summer therms	18,124	\$0 2117	\$3,837
Total Multi-Family Housing (R-4)			\$22,528	Total Multi-Family Housing (R-4)			\$25,493
Commercial				Commercial			
Winter Bills	51,044	\$20 00	\$1,020,879	Winter Bills		\$30 00	\$1,531,318
Summer Bills	48,805	\$15 00	\$732,075	Summer Bills		\$20 00	\$976,100
Winter Ccfs Step 1	20,881,774	\$0 2750	\$5,742,488	Winter therms Step 1	21,245,952	\$0 2853	\$6,061,470
Winter Ccfs Step 2	2,232,403	\$0 2510	\$560,333	Winter therms Step 2	2,271,336	\$0 2853	\$648,012
Winter Ccfs Step 3	3,972,143	\$0 2445	\$971,189	Winter therms Step 3	4,041,417	\$0 1500	\$606,213
Winter Ccfs Step 4	3,105,532	\$0 1265	\$392,850	Winter therms Step 4	3,159,692	\$0 1500	\$473,954
Summer Ccfs Step 1	6,847,053	\$0 2159	\$1,478,279	Summer therms Step 1	6,966,466	\$0 2853	\$1,987,533
Summer Ccfs Step 2	837,547	\$0 1714	\$143,556	Summer therms Step 2	852,154	\$0 2853	\$243,120
Summer Ccfs Step 3	1,424,574	\$0 1598	\$227,647	Summer therms Step 3	1,449,419	\$0 1500	\$217,413
Summer Ccfs Step 4	905,149	\$0 1265	\$114,501	Summer therms Step 4	920,935	\$0 1500	\$138,140
Total Commercial			\$11,383,796	Total Commercial			\$12,882,097
Total Firm Base Revenue			\$24,589,706	Total Firm Base Revenue			\$27,826,128



CHATTANOOGA GAS COMPANY  
REDETERMINATION OF RATES SUBJECT TO REFUND

Proposed Increase in Base Revenue Requirement as Filed	\$4,560,699
Less Bad Debt Expense Associated With Gas Costs	(\$640,000)
Proposed Increase in Base Revenue Requirement	<u>\$3,920,699</u>

	[1]	[2]	[3]		[4]	[5]	[6]
	CURRENT				RATES SUBJECT TO REFUND		
	Units	Rate	Base Revenue		Units	Rate	Base Revenue
INDUSTRIAL BASE REVENUE				INDUSTRIAL BASE REVENUE			
I1/T2 Industrial Bills	343	\$300 00	\$102,900	I1/T2 Industrial Bills		\$300 00	\$102,900
Demand Units (Mcfs)	109,473	\$3 00	\$328,419	Demand Units (therms)	111,382	\$3 00	\$334,146
Step 1 Mcfs	448,052	\$0 8888	\$398,228	Step 1 Dts	455,866	\$1 0044	\$457,872
Step 2 Mcfs	534,746	\$0 7598	\$406,300	Step 2 Dts	544,072	\$0 8586	\$467,140
Step 3 Mcfs	507,289	\$0 4312	\$218,743	Step 3 Dts	516,136	\$0 4873	\$251,513
Step 4 Mcfs	446,365	\$0 2650	\$118,287	Step 4 Dts	454,150	\$0 2995	\$136,018
Total I1/T2			\$1,572,877	Total I1/T2			\$1,749,589
L1/T1 Industrial Bills	484	\$300 00	\$145,200	L1/T1 Industrial Bills		\$300 00	\$145,200
Step 1 Mcfs	564,137	\$0 8888	\$501,405	Step 1 Dts	573,975	\$1 0044	\$576,500
Step 2 Mcfs	818,626	\$0 7598	\$621,992	Step 2 Dts	832,903	\$0 8586	\$715,131
Step 3 Mcfs	1,506,656	\$0 4312	\$649,670	Step 3 Dts	1,532,932	\$0 4873	\$746,998
Step 4 Mcfs	1,340,725	\$0 2650	\$355,292	Step 4 Dts	1,364,107	\$0 2995	\$408,550
Total L1/T1			\$2,273,559	Total L1/T1			\$2,592,379
SS-1 Industrial Bills	45	\$300 00	\$13,500	SS-1 Industrial Bills		\$300 00	\$13,500
Step 1 Mcfs	189,265	\$0 8888	\$168,218	Step 1 Dts	192,565	\$1 0044	\$193,412
Step 2 Mcfs	273,162	\$0 7598	\$207,549	Step 2 Dts	277,926	\$0 8586	\$238,627
Step 3 Mcfs	483,451	\$0 4312	\$208,464	Step 3 Dts	491,882	\$0 4873	\$239,694
Step 4 Mcfs	411,548	\$0 2650	\$109,060	Step 4 Dts	418,725	\$0 2995	\$125,408
Total SS-1			\$706,791	Total SS-1			\$810,642
Special Contract Industrial Bills	12	\$3,500 00	\$42,000	Special Contract Industrial Bills		\$3,500 00	\$42,000
Step 1 Mcfs	104,199	\$0 0400	\$5,210	Step 1 Dts		\$0 0400	\$5,210
Step 2 Mcfs	150,608	\$0 0400	\$7,530	Step 2 Dts		\$0 0400	\$7,530
Step 3 Mcfs	272,135	\$0 0400	\$13,607	Step 3 Dts		\$0 0400	\$13,607
Step 4 Mcfs	238,784	\$0 0400	\$11,939	Step 4 Dts		\$0 0400	\$11,939
Total Special Contract			\$80,286	Total Special Contract			\$80,286
Total Industrial			\$4,633,513	Total Industrial			\$5,232,896
TOTAL BASE REVENUE			\$30,196,467	TOTAL BASE REVENUE			\$34,117,266